

**MORLEY STANWOOD COMMUNITY SCHOOLS**

**ANNUAL FINANCIAL REPORT**

**(with required supplementary and additional information)**

**JUNE 30, 2008**

***Baird, Cotter and Bishop, P.C.***

**CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

[www.bcbcpa.com](http://www.bcbcpa.com)

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

|  | <u>PAGES</u> |
|--|--------------|
| <b>Independent Auditors' Report</b>  | i-ii         |
| <b>Management's Discussion and Analysis</b>  | iii - ix     |
| <b>Basic Financial Statements</b>  |              |
| Government-wide Financial Statements   |              |
| Statement of Net Assets  | 1            |
| Statement of Activities  | 2            |
| Fund Financial Statements  |              |
| Balance Sheet - Governmental Funds   | 3            |
| Reconciliation of Balance Sheet of Governmental Funds to Net Assets  | 4            |
| Statement of Revenue, Expenditures and Changes in Fund Balances -<br>Governmental Funds  | 5            |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in<br>Fund Balances of Governmental Funds to the Statement of Activities | 6            |
| Fiduciary Funds  |              |
| Statement of Fiduciary Net Assets  | 7            |
| Statement of Changes in Fiduciary Net Assets   | 8            |
| Notes to Financial Statements  | 9-24         |
| <b>Required Supplementary Information</b>  |              |
| Budgetary Comparison Schedule - General Fund   | 25           |
| <b>Combining and Individual Fund Financial Statements</b>  |              |
| Combining Balance Sheet – Nonmajor Governmental Fund Types   | 26           |
| Combining Statement of Revenues, Expenditures and<br>Changes in Fund Balance – Nonmajor Governmental Fund Types                                | 27           |
| Financial Statements of Individual Funds   |              |
| General Fund   |              |
| Comparative Balance Sheet  | 28           |
| Comparative Statement of Revenues, Expenditures and<br>Changes in Fund Balance   | 29-30        |
| Comparative Analysis of Revenues   | 31           |
| Comparative Analysis of Expenditures   | 32-37        |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

|  | <u>PAGES</u> |
|--|--------------|
| Special Revenue (School Service) Funds   |              |
| Combining Balance Sheet  | 38           |
| Combining Statement of Revenues, Expenditures and<br>Changes in Fund Balance   | 39           |
| Food Service Fund  |              |
| Comparative Balance Sheet  | 40           |
| Comparative Statement of Revenues, Expenditures and<br>Changes in Fund Balance | 41           |
| Athletic Fund  |              |
| Comparative Balance Sheet  | 42           |
| Comparative Statement of Revenues, Expenditures and<br>Changes in Fund Balance | 43           |
| Public Library Fund  |              |
| Comparative Balance Sheet  | 44           |
| Comparative Statement of Revenues, Expenditures and<br>Changes in Fund Balance | 45           |
| Debt Retirement Funds  |              |
| Combining Balance Sheet  | 46           |
| Combining Statement of Revenues, Expenditures and<br>Changes in Fund Balance   | 47           |
| 1995 Debt Retirement Fund  |              |
| Comparative Balance Sheet  | 48           |
| Comparative Statement of Revenues, Expenditures and<br>Changes in Fund Balance | 49           |
| 1999 School Refunding Bond Debt Retirement Fund                                |              |
| Comparative Balance Sheet  | 50           |
| Comparative Statement of Revenues, Expenditures and<br>Changes in Fund Balance | 51           |
| 2003 Refunding Debt Retirement Fund  |              |
| Comparative Balance Sheet  | 52           |
| Comparative Statement of Revenues, Expenditures and<br>Changes in Fund Balance | 53           |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

|   | <u>PAGES</u> |
|---|--------------|
| Fiduciary Fund Types                                  |              |
| Combining Balance Sheet                               | 54           |
| Erickson Scholarship Private Purpose Trust Fund       |              |
| Comparative Balance Sheet                             | 55           |
| Comparative Statement of Revenues, Expenses and       |              |
| Changes in Fund Balance                               | 56           |
| Agency Fund   |              |
| Statement of Cash Receipts, Disbursements and Balance | 57-59        |
| <b>Other Information</b>                              |              |
| Schedule of Bonds Payable                             |              |
| 1999 Refunding Bonds                                  | 60-61        |
| 1998 School Improvement Bonds                         | 62           |
| 2003 Refunding Bonds                                  | 63           |

# *Baird, Cotter and Bishop, P.C.*

## CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
www.bcbcpa.com

July 17, 2008

### INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Morley Stanwood Community Schools  
Morley, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Morley Stanwood Community Schools, Morley, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Morley Stanwood Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Morley Stanwood Community Schools, Morley, Michigan, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2008, on our consideration of Morley Stanwood Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through ix and 25, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Morley Stanwood Community Schools, Morley, Michigan basic financial statements. The combining and individual fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

Morley Stanwood Community Schools, a K-12 school district located in Montcalm, Mecosta, and Newaygo Counties, Michigan has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management’s Discussion and Analysis, a requirement of GASB 34, is intended to be the Morley Stanwood Community Schools administration’s discussion and analysis of the financial results for the fiscal year ended June 30, 2008.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

**A. Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education’s “Accounting Manual.” In the State of Michigan, school districts’ major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds which include Special Revenue Funds and Debt Service Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year’s payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years’ debt service are not recorded in the fund financial statements.

**B. Government-wide Financial Statements**

The government-wide financial statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire District’s assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

**C. Summary of Net Assets**

The following schedule summarizes the net assets at fiscal year ended June 30:

|   | <u>2008</u>                 | <u>2007</u>                 |
|---|-----------------------------|-----------------------------|
| <b>Assets</b>                                     |                             |                             |
| Current Assets                                    | \$ 3,574,583                | \$ 4,602,726                |
| Non Current Assets                                |                             |                             |
| Capital Assets                                    | 25,272,796                  | 25,239,541                  |
| Less Accumulated Depreciation                     | <u>(10,430,831)</u>         | <u>(9,879,736)</u>          |
| Total Non Current Assets                          | <u>14,841,965</u>           | <u>15,359,805</u>           |
| Total Assets                                      | <u><u>\$ 18,416,548</u></u> | <u><u>\$ 19,962,531</u></u> |
| <b>Liabilities</b>                                |                             |                             |
| Current Liabilities                               | \$ 3,093,750                | \$ 4,026,877                |
| Non Current Liabilities                           | <u>10,533,147</u>           | <u>11,897,878</u>           |
| Total Liabilities                                 | <u>13,626,897</u>           | <u>15,924,755</u>           |
| <b>Net Assets</b>                                 |                             |                             |
| Invested in Capital Assets Net<br>of Related Debt | 4,688,869                   | 3,002,851                   |
| Restricted for Debt Service                       | 0                           | 179,080                     |
| Unrestricted                                      | <u>100,782</u>              | <u>855,845</u>              |
| Total Net Assets                                  | <u>4,789,651</u>            | <u>4,037,776</u>            |
| Total Liabilities and Net Assets                  | <u><u>\$ 18,416,548</u></u> | <u><u>\$ 19,962,531</u></u> |

**D. Analysis of Financial Position**

During the fiscal year ended June 30, 2008, the District's net assets increased by \$751,875. A few of the more significant factors affecting net assets during the year are discussed below:



MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

**1. Depreciation Expense**

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2008, \$629,165 was recorded for depreciation expense.

**2. Capital Outlay Acquisitions**

For the fiscal year ended June 30, 2008, \$111,325 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is a decrease to capital assets in the amount of \$517,840 for the fiscal year ended June 30, 2008.

**E. Results of Operations**

For the fiscal year ended June 30, the results of operations, on a District-wide basis, were:

|                         | <u>2008</u>       | <u>2007</u>       |
|-------------------------|-------------------|-------------------|
|                         | <u>Amount</u>     | <u>Amount</u>     |
| <b>General Revenues</b> |                   |                   |
| Property Taxes          | \$ 3,483,171      | \$ 3,122,569      |
| Investment Earnings     | 76,665            | 100,179           |
| State Sources           | 9,216,575         | 9,544,403         |
| Other                   | <u>116,214</u>    | <u>225,775</u>    |
| Total General Revenues  | <u>12,892,625</u> | <u>12,992,926</u> |
| <b>Program Revenues</b> |                   |                   |
| Charges for Services    | 343,862           | 323,182           |
| Operating Grants        | <u>2,454,610</u>  | <u>2,186,290</u>  |
| Total Program Revenues  | <u>2,798,472</u>  | <u>2,509,472</u>  |
| Total Revenues          | <u>15,691,097</u> | <u>15,502,398</u> |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

|                                | <u>2008</u>       | <u>2007</u>       |
|--------------------------------|-------------------|-------------------|
|                                | <u>Amount</u>     | <u>Amount</u>     |
| <b>Expenses</b>                |                   |                   |
| Instruction                    | \$ 8,497,213      | \$ 8,270,313      |
| Supporting Services            | 4,462,910         | 4,494,433         |
| Food Service Activities        | 638,854           | 610,638           |
| Athletic Activities            | 121,263           | 96,567            |
| School Operated Public Library | 68,023            | 68,299            |
| Community Services             | 0                 | 3,621             |
| Interest on Long-Term Debt     | 521,794           | 571,222           |
| Other Transactions             | 0                 | 273,623           |
| Unallocated Depreciation       | <u>629,165</u>    | <u>669,195</u>    |
| Total Expenses                 | <u>14,939,222</u> | <u>15,057,911</u> |
| Changes in Net Assets          | <u>\$ 751,875</u> | <u>\$ 444,487</u> |

**F. Analysis of Significant Revenues and Expenses**

Significant revenues and expenditures are discussed in the segments below:

**1. Property Taxes**

The District levies 18 mills of property taxes for operations on non-homestead properties, less the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2007-2008 fiscal year, the District levied \$ 1,695,110 in non-homestead property taxes.

The following table summarizes the general fund non-homestead property tax levies for operations for the past five years:

| <u>Fiscal Year</u> | <u>Non-Homestead<br/>Tax Levy</u> |
|--------------------|-----------------------------------|
| 2007-2008          | \$ 1,695,110                      |
| 2006-2007          | 1,482,917                         |
| 2005-2006          | 1,293,978                         |
| 2004-2005          | 1,254,395                         |
| 2003-2004          | 1,155,825                         |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

**2. State Sources**

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior year's spring count. For the 2007-2008 fiscal year, the District received \$7,204 per student FTE.

**3. Student Enrollment**

The following schedule summarizes the blended student enrollment for the past five fiscal years:

| Fiscal Year | Blended<br>Student FTE |
|-------------|------------------------|
| 2007-2008   | 1,556                  |
| 2006-2007   | 1,595                  |
| 2005-2006   | 1,642                  |
| 2004-2005   | 1,635                  |
| 2003-2004   | 1,625                  |

**4. Operating Grants**

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2008, federal, state, and other grants of this type were \$2,454,610.

**G. General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the 2007-2008 fiscal year, the District amended the general fund budget in September 2007, February 2008 and June 2008. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

|                     | ORIGINAL<br>BUDGET | FINAL<br>BUDGET | ACTUAL        |
|---------------------|--------------------|-----------------|---------------|
| Total Revenues      | \$ 12,936,273      | \$ 13,012,800   | \$ 13,056,991 |
| <u>EXPENDITURES</u> |                    |                 |               |
| Instruction         | \$ 8,475,078       | \$ 8,713,758    | \$ 8,615,100  |
| Supporting Services | 4,632,486          | 4,698,424       | 4,522,531     |
| Other Transactions  | 42,583             | 0               | 0             |
| Total Expenditures  | \$ 13,150,147      | \$ 13,412,182   | \$ 13,137,631 |

The total revenues variance was \$120,718 and the total expenditures variance was \$12,516.

## **H. Capital Asset and Debt Administration**

### **1. Capital Assets**

At June 30, 2008, the District has \$25,272,796 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net increase of \$33,255 over the prior fiscal year. Depreciation expense for the year amounted to \$629,165 bringing the accumulated depreciation to \$10,430,831 as of June 30, 2008.

### **2. Long-Term Debt**

At June 30, 2008, the District had \$10,209,642 in bonded debt outstanding. This represents a reduction of \$735,000 from the amount outstanding at the close of the prior fiscal year. The District also owes \$803,610 to the School Bond Loan Fund.

## **I. Factors Bearing on the District's Future**

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

- Negotiations with the MEA teachers' union and support staff union were finalized. A two percent increase was granted for each year of a three year agreement. Both unions agreed to move to Choices II health insurance, which is a PPO of MESSA. This change did allow the District to at least contain costs in the upcoming year.
- The twenty-five Paraprofessionals employed by the District accreted to the support staff Union. These employees hold jobs in Title I, At-Risk and Special Education areas. All paraprofessionals in the District are highly qualified according to federal regulations.

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

- Our conservative projections to the budget provided slightly higher revenues in the state and local areas with a 1% overall variance in revenues. At the same time we were able to contain costs in expenditures with a 2% overall variance in expenditures. Everyone worked together to not only spend less in instructional cost, but spend less in operational/maintenance and pupil transportation. Since we did not go into fund balance as much as expected, there will be a better cushion for the upcoming year. Our fund balance, however, is at a dangerous low of 6% and will need constant attention in the upcoming years.

**J. Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact Morley Stanwood Community Schools, 4700 Northland Drive, Morley, Michigan 49336.

MORLEY STANWOOD COMMUNITY SCHOOLS

MORLEY, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2008

|   | Governmental<br>Activities |
|---|----------------------------|
| <u>ASSETS</u>                                   |                            |
| <u>CURRENT ASSETS</u>                           |                            |
| Cash  | \$ 1,516,067               |
| Taxes Receivable                                | 10,650                     |
| Accounts Receivable                             | 12,775                     |
| Inventories                                     | 6,262                      |
| Due from Other Governments                      | 1,981,212                  |
| Prepaid Expense                                 | 19,270                     |
| Investments                                     | 28,347                     |
| Total Current Assets                            | 3,574,583                  |
| <u>NON CURRENT ASSETS</u>                       |                            |
| Capital Assets                                  | 25,272,796                 |
| Less Accumulated Depreciation                   | (10,430,831)               |
| Total Non Current Assets                        | 14,841,965                 |
| TOTAL ASSETS                                    | \$ 18,416,548              |
| <u>LIABILITIES AND NET ASSETS</u>               |                            |
| <u>LIABILITIES</u>                              |                            |
| <u>CURRENT LIABILITIES</u>                      |                            |
| Accounts Payable                                | \$ 220,005                 |
| Accrued Interest Payable                        | 74,430                     |
| Salaries Payable                                | 861,068                    |
| Deferred Revenue                                | 19,728                     |
| State Aid Anticipation Note Payable             | 1,165,000                  |
| Current Portion of Non Current Liabilities      | 753,519                    |
| Total Current Liabilities                       | 3,093,750                  |
| <u>NON CURRENT LIABILITIES</u>                  |                            |
| Bonds Payable                                   | 10,209,642                 |
| Compensated Absences and Severance Plan         | 192,770                    |
| Installment Purchase Agreement                  | 38,096                     |
| School Bond Loan Fund Loan                      | 803,610                    |
| Accrued Interest on School Bond Loan Fund       | 42,548                     |
| Less Current Portion of Non Current Liabilities | (753,519)                  |
| Total Non Current Liabilities                   | 10,533,147                 |
| Total Liabilities                               | 13,626,897                 |
| <u>NET ASSETS</u>                               |                            |
| Invested in Capital Assets Net of Related Debt  | 4,688,869                  |
| Unrestricted                                    | 100,782                    |
| Total Net Assets                                | 4,789,651                  |
| TOTAL LIABILITIES AND NET ASSETS                | \$ 18,416,548              |

The notes to the financial statements are an integral part of this statement.

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

|                                       |                     |                         |                     | GOVERNMENTAL<br>ACTIVITIES                               |
|---------------------------------------|---------------------|-------------------------|---------------------|--|
|                                       |                     |                         |                     | NET (EXPENSE)<br>REVENUE AND<br>CHANGES IN<br>NET ASSETS |
| FUNCTIONS/PROGRAMS                    | EXPENSES            | PROGRAM REVENUES        |                     |  |
|                                       |                     | CHARGES FOR<br>SERVICES | OPERATING<br>GRANTS |  |
| <u>GOVERNMENTAL ACTIVITIES</u>        |                     |                         |                     |  |
| Instruction                           |                     |                         |                     |  |
| Basic Programs                        | \$ 6,551,517        | \$ 0                    | \$ 303,063          | \$ (6,248,454)   |
| Added Needs                           | 1,745,558           | 0                       | 1,352,736           | (392,822)  |
| Adult/Continuing Education            | 200,138             | 0                       | 0                   | (200,138)  |
| Supporting Services                   |                     |                         |                     |  |
| Pupil                                 | 277,021             | 0                       | 169,107             | (107,914)  |
| Instructional Staff                   | 417,752             | 0                       | 160,134             | (257,618)  |
| General Administration                | 298,114             | 0                       | 0                   | (298,114)  |
| School Administration                 | 853,773             | 0                       | 0                   | (853,773)  |
| Business                              | 169,575             | 0                       | 0                   | (169,575)  |
| Operation and Maintenance<br>of Plant | 1,419,781           | 4,400                   | 0                   | (1,415,381)  |
| Pupil Transportation Services         | 801,856             | 0                       | 0                   | (801,856)  |
| Support Services Technology           | 225,038             | 0                       | 0                   | (225,038)  |
| Food Service Activities               | 638,854             | 222,743                 | 409,847             | (6,264)  |
| Athletic Activities                   | 121,263             | 114,294                 | 0                   | (6,969)  |
| School Operated Public Library        | 68,023              | 2,425                   | 59,723              | (5,875)  |
| Interest on Long Term Debt            | 521,794             | 0                       | 0                   | (521,794)  |
| Unallocated Depreciation              | 629,165             | 0                       | 0                   | (629,165)  |
| Total Governmental Activities         | <u>\$14,939,222</u> | <u>\$ 343,862</u>       | <u>\$ 2,454,610</u> | <u>(12,140,750)</u>                                      |
| <u>GENERAL REVENUES</u>               |                     |                         |                     |  |
| Property Taxes - General Purposes     |                     |                         |                     | 1,695,110  |
| Property Taxes - Debt Service         |                     |                         |                     | 1,788,061  |
| Investment Earnings                   |                     |                         |                     | 76,665   |
| State Sources                         |                     |                         |                     | 9,216,575  |
| Other                                 |                     |                         |                     | 116,214  |
| Total General Revenues                |                     |                         |                     | <u>12,892,625</u>  |
| Change in Net Assets                  |                     |                         |                     | 751,875  |
| <u>NET ASSETS</u> - Beginning of Year |                     |                         |                     | <u>4,037,776</u>   |
| <u>NET ASSETS</u> - End of Year       |                     |                         |                     | <u>\$ 4,789,651</u>                                      |

The notes to the financial statements are an integral part of this statement.

MORLEY STANWOOD COMMUNITY SCHOOLS

MORLEY, MICHIGAN

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2008

|  | GENERAL<br>FUND     | OTHER<br>NONMAJOR<br>GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|--|---------------------|--|--------------------------------|
| <u>ASSETS</u>                          |                     |  |                                |
| Cash                                   | \$ 1,074,938        | \$ 441,129                                 | \$ 1,516,067                   |
| Taxes Receivable                       | 6,575               | 4,075                                      | 10,650                         |
| Accounts Receivable                    | 12,775              | 0  | 12,775                         |
| Due from Other Funds                   | 6,600               | 6,069                                      | 12,669                         |
| Inventories                            | 0                   | 6,262                                      | 6,262                          |
| Due from Other Governments             | 1,981,212           | 0  | 1,981,212                      |
| Prepaid Expenditures                   | 19,270              | 0  | 19,270                         |
| Investments                            | 28,347              | 0  | 28,347                         |
|  |                     |  |                                |
| TOTAL ASSETS                           | <u>\$ 3,129,717</u> | <u>\$ 457,535</u>                          | <u>\$ 3,587,252</u>            |
|  |                     |  |                                |
| <u>LIABILITIES AND FUND BALANCES</u>   |                     |  |                                |
| <u>LIABILITIES</u>                     |                     |  |                                |
| Accounts Payable                       | \$ 217,861          | \$ 2,144                                   | \$ 220,005                     |
| Salaries and Fringes Payable           | 861,068             | 0  | 861,068                        |
| Due to Other Funds                     | 6,069               | 6,600                                      | 12,669                         |
| State Aid Anticipation Note Payable    | 1,165,000           | 0  | 1,165,000                      |
| Deferred Revenue                       | 24,751              | 3,685                                      | 28,436                         |
|  |                     |  |                                |
| Total Liabilities                      | <u>2,274,749</u>    | <u>12,429</u>                              | <u>2,287,178</u>               |
|  |                     |  |                                |
| <u>FUND BALANCES</u>                   |                     |  |                                |
| Reserved for Inventory                 | 0                   | 6,262                                      | 6,262                          |
| Reserved for Debt Service              | 0                   | 241,884                                    | 241,884                        |
| Reserved for Prepaid Expenditures      | 19,270              | 0  | 19,270                         |
| Unreserved, Designated, Reported in:   |                     |  |                                |
| Special Revenue Funds                  | 0                   | 48,778                                     | 48,778                         |
| General Fund                           | 100,000             | 0  | 100,000                        |
| Unreserved, Undesignated, Reported in: |                     |  |                                |
| General Fund                           | 735,698             | 0  | 735,698                        |
| Special Revenue Funds                  | 0                   | 148,182                                    | 148,182                        |
|  |                     |  |                                |
| Total Fund Balances                    | <u>854,968</u>      | <u>445,106</u>                             | <u>1,300,074</u>               |
|  |                     |  |                                |
| TOTAL LIABILITIES<br>AND FUND BALANCES | <u>\$ 3,129,717</u> | <u>\$ 457,535</u>                          | <u>\$ 3,587,252</u>            |

The notes to the financial statements are an integral part of this statement.



MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO STATEMENT OF NET ASSETS

JUNE 30, 2008

|                                  |              |
|----------------------------------|--------------|
| Total Governmental Fund Balances | \$ 1,300,074 |
|----------------------------------|--------------|

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds

|                                   |                     |            |
|-----------------------------------|---------------------|------------|
| The cost of the capital assets is | \$ 25,272,796       |            |
| Accumulated depreciation is       | <u>(10,430,831)</u> | 14,841,965 |

Long term liabilities are not due and payable in the current period and are not reported in the funds

|                           |              |
|---------------------------|--------------|
| School Bond Loan Fund     | (803,610)    |
| Bonds Payable             | (10,209,642) |
| Compensated Absences      | (192,770)    |
| Installment Notes Payable | (38,096)     |

|  |       |
|--|-------|
| Balance of taxes receivable at June 30, 2008, expected to be collected after September 1, 2008 | 8,708 |
|--|-------|

|   |                  |
|---|------------------|
| Accrued interest is not included as a liability in government funds, it is recorded when paid | <u>(116,978)</u> |
|---|------------------|

|                                       |                            |
|---------------------------------------|----------------------------|
| NET ASSETS OF GOVERNMENTAL ACTIVITIES | <u><u>\$ 4,789,651</u></u> |
|---------------------------------------|----------------------------|

The notes to the financial statements are an integral part of this statement.

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

|  | GENERAL<br>FUND | OTHER<br>NONMAJOR<br>GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|--|-----------------|--|--------------------------------|
| <u>REVENUES</u>                                      |                 |  |                                |
| Local Sources  | \$ 1,879,851    | \$ 2,225,251                               | \$ 4,105,102                   |
| State Sources  | 10,205,772      | 35,339                                     | 10,241,111                     |
| Federal Sources                                      | 672,156         | 380,850                                    | 1,053,006                      |
| Other Transactions                                   | 291,878         | 0  | 291,878                        |
| Total Revenues                                       | 13,049,657      | 2,641,440                                  | 15,691,097                     |
| <u>EXPENDITURES</u>                                  |                 |  |                                |
| Instruction  |                 |  |                                |
| Basic Programs                                       | 6,669,404       | 0  | 6,669,404                      |
| Added Needs  | 1,745,558       | 0  | 1,745,558                      |
| Adult/Continuing Education                           | 200,138         | 0  | 200,138                        |
| Supporting Services                                  |                 |  |                                |
| Pupil  | 277,021         | 0  | 277,021                        |
| Instructional Staff                                  | 417,752         | 0  | 417,752                        |
| General Administration                               | 298,114         | 0  | 298,114                        |
| School Administration                                | 853,773         | 0  | 853,773                        |
| Business   | 170,343         | 0  | 170,343                        |
| Operation and Maintenance of Plant                   | 1,445,281       | 0  | 1,445,281                      |
| Pupil Transportation Services                        | 823,780         | 0  | 823,780                        |
| Support Services Technology                          | 225,038         | 0  | 225,038                        |
| Food Service Activities                              | 0               | 638,854                                    | 638,854                        |
| Athletic Activities                                  | 0               | 121,263                                    | 121,263                        |
| School Operated Public Library                       | 0               | 68,023                                     | 68,023                         |
| Debt Service   |                 |  |                                |
| Principal  | 11,429          | 1,343,702                                  | 1,355,131                      |
| Interest   | 0               | 546,183                                    | 546,183                        |
| Total Expenditures                                   | 13,137,631      | 2,718,025                                  | 15,855,656                     |
| Excess (Deficiency) of Revenues<br>Over Expenditures | (87,974)        | (76,585)                                   | (164,559)                      |
| <u>OTHER FINANCING SOURCES (USES)</u>                |                 |  |                                |
| Transfers In   | 7,334           | 0  | 7,334                          |
| Transfers Out  | 0               | (7,334)                                    | (7,334)                        |
| Total Other Financing Sources (Uses)                 | 7,334           | (7,334)                                    | 0                              |
| Net Change in Fund Balance                           | (80,640)        | (83,919)                                   | (164,559)                      |
| <u>FUND BALANCE</u> - Beginning of Year              | 935,608         | 529,025                                    | 1,464,633                      |
| <u>FUND BALANCE</u> - End of Year                    | \$ 854,968      | \$ 445,106                                 | \$ 1,300,074                   |

The notes to the financial statements are an integral part of this statement.

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

Net Change in Fund Balances Total Governmental Funds \$ (164,559)

Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.

|                      |           |
|----------------------|-----------|
| Depreciation Expense | (629,165) |
| Capital Outlay       | 111,325   |

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the accrual method and not considered available

|  |         |
|--|---------|
| Deferred Revenue for Taxes - Beginning of Year | (7,940) |
| Deferred Revenue for Taxes - End of Year       | 8,708   |

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

|  |           |
|--|-----------|
| Accrued Interest Payable - Beginning of Year | 141,367   |
| Accrued Interest Payable - End of Year       | (116,978) |

|  |           |
|--|-----------|
| Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities) | 1,355,131 |
|--|-----------|

Employees Early Retirement and Compensated Absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

|   |                  |
|---|------------------|
| Compensated Absences and Severance Plan - Beginning of Year | 246,756          |
| Compensated Absences and Severance Plan - End of Year       | <u>(192,770)</u> |

|   |                          |
|---|--------------------------|
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | <u><u>\$ 751,875</u></u> |
|---|--------------------------|

The notes to the financial statements are an integral part of this statement.

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

JUNE 30, 2008

|                                       | <u>PRIVATE<br/>PURPOSE<br/>TRUST<br/>FUND</u> | <u>AGENCY<br/>FUNDS</u> |
|---------------------------------------|---|-------------------------|
| <u>ASSETS</u>                         |   |                         |
| Cash                                  | <u>\$ 29,864</u>                              | <u>\$ 165,848</u>       |
| <br><u>LIABILITIES AND NET ASSETS</u> |   |                         |
| <u>LIABILITIES</u>                    |   |                         |
| Due to Groups and Organizations       | \$ 0  | \$ 165,848              |
| <br><u>NET ASSETS</u>                 |   |                         |
| Reserved for Trust Activities         | <u>29,864</u>                                 | <u>0</u>                |
| <br>TOTAL LIABILITIES AND NET ASSETS  | <u>\$ 29,864</u>                              | <u>\$ 165,848</u>       |

The notes to the financial statements are an integral part of this statement.

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2008

|                                       | <u>PRIVATE<br/>PURPOSE<br/>TRUST<br/>FUND</u> |
|---------------------------------------|---|
| <u>ADDITIONS</u>                      |   |
| Earnings on Investments and Deposits  | \$ 1,520                                      |
| <u>DEDUCTIONS</u>                     |   |
| Scholarship Awards                    | <u>1,175</u>                                  |
| Change in Net Assets                  | 345   |
| <u>NET ASSETS</u> - Beginning of Year | <u>29,519</u>                                 |
| <u>NET ASSETS</u> - End of Year       | <u><u>\$ 29,864</u></u>                       |

The notes to the financial statements are an integral part of this statement.

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Morley Stanwood Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

Morley Stanwood Community Schools (the "District") is located in Mecosta, Newaygo and Montcalm Counties with its administrative offices located in Morley, Michigan. The District is governed by the Morley Stanwood Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District provides services to its 1,556 students in elementary, middle school, high school, special education instruction, guidance, health, transportation, food service, athletics and public library. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Governmental Funds** - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

**Other Non-major Funds**

The *special refund funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service, athletic, and public library activities in the special revenue funds.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**Fiduciary funds** account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *private purpose trust funds* are accounted for using the accrual method of accounting. Private purpose trust funds account for contributions earmarked for scholarships available to qualifying students of the District.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Accrual Method**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Modified Accrual Method**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**State Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state



MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on pupil membership counts taken in February and September of 2007. For fiscal year ended June 30, 2008, the per pupil foundation allowance was \$7,204 for Morley Stanwood Community Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**D. Other Accounting Policies**

**1. Cash and Investments**

Cash includes amounts in demand deposits.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the School District to invest as follows:

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States Government.
- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States.

The School's deposits and investments are held separately by several of the School District's funds.

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

2. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1 and are billed and due July 1. Unpaid taxes become delinquent as of September 14th and are subject to penalties and interest after that date. Uncollected taxes at year-end are not material.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of taxable valuation:

| <u>Fund</u>                                     | <u>Mills</u> |
|---|--------------|
| General Fund - Non-homestead                    | 18.00        |
| Debt Service Fund - Homestead and Non-homestead | 7.00         |

4. Inventories and Prepaid Expenditures

Inventories are valued at cost. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

|                               |            |
|-------------------------------|------------|
| Buildings and additions       | 50 years   |
| Furniture and other equipment | 5-15 years |

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

6. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay and comp time benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The District has opted to apply the provisions of GASB 34 paragraph 146 which allows the amortization of premiums, discounts and bond issuance costs to be applied prospectively for all bonds issued after July 1, 2002.

8. Fund Balance

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Reservations of fund balance are for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

- A. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue, and debt funds.

The District maintains a formalized encumbrance system. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any are noted in the required supplementary information section.
4. The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
5. During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
6. Budgeted amounts are as originally adopted on June 25, 2007, or as amended by the School Board of Education in September 2007 and February and June 2008.

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**B. Excess of Expenditures Over Appropriations**

Excess of expenditures over appropriations occurred in the following funds:

Athletic Fund- Total expenditures of \$121,263 exceeded appropriations of \$116,610 by \$4,653; General Fund pupil expenditures of \$277,021 exceeded appropriations of \$276,955; General Fund debt service expenditures of \$11,429 exceeded appropriations of \$0.

**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments - Credit Risk**

The District's deposits and investments are all on deposit with Chemical Bank, First Bank, and Michigan School District Liquid Asset Fund Plus.

*Investment rate risk.* The District will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the District's cash requirement.

*Foreign currency risk.* The District is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The District will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the District's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the District will do business in accordance with the District's investment policy.

*Concentration of credit risk.* The District will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2008, \$1,579,741 of the government's bank balance of \$2,163,166 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name. At year end all of the District's investments were uncategorized as to risk.

At year-end, the only investments were investment trust funds.

Investments not subject to categorization:

Investment Trust Funds \$ 28,347

The District invests certain excess funds in the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports that as of June 30, 2008, the fair value of the District's investments is the same as the value of the pool shares.

Balance sheet classifications:

|             | Deposits            | Investments      | Fiduciary<br>Assets | Total               |
|-------------|---------------------|------------------|---------------------|---------------------|
| Cash        | \$ 1,516,067        | \$ 0             | \$ 195,712          | \$ 1,711,779        |
| Investments | 0                   | 28,347           | 0                   | 28,347              |
|             | <u>\$ 1,516,067</u> | <u>\$ 28,347</u> | <u>\$ 195,712</u>   | <u>\$ 1,740,126</u> |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**B. Receivables**

Receivables as of year end for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate; including the applicable allowances for uncollectible accounts, are as follows:

|                            | General             | Nonmajor<br>and Other<br>Funds | Total               |
|----------------------------|---------------------|--------------------------------|---------------------|
| Receivables                |                     |                                |                     |
| Taxes                      | \$ 6,575            | \$ 4,075                       | \$ 10,650           |
| Accounts                   | 12,775              | 0                              | 12,775              |
| Due from Other Governments | 1,981,212           | 0                              | 1,981,212           |
| Total Receivables          | <u>\$ 2,000,562</u> | <u>\$ 4,075</u>                | <u>\$ 2,004,637</u> |

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

|   | Unavailable     | Unearned         |
|---|-----------------|------------------|
| Delinquent Property Taxes Receivable (General Fund)       | \$ 5,023        | \$ 0             |
| Delinquent Property Taxes Receivable (Debt Service Funds) | 3,685           | 0                |
| Grants Receipts Received, But Not Yet Utilized            | 0               | 19,728           |
| Total Deferred/Unearned Revenue for Governmental Funds    | <u>\$ 8,708</u> | <u>\$ 19,728</u> |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**C. Capital Assets**

A summary of changes in the District's capital assets follows:

|                                    | Balance<br>July 1, 2007 | Additions    | Deletions | Balance<br>June 30, 2008 |
|------------------------------------|-------------------------|--------------|-----------|--------------------------|
| Capital assets being depreciated   |                         |              |           |                          |
| Buildings and additions            | \$ 17,910,980           | \$ 0         | \$ 0      | \$ 17,910,980            |
| Machinery and equipment            | 5,947,524               | 73,901       | 78,070    | 5,943,355                |
| Transportation equipment           | 1,381,037               | 37,424       | 0         | 1,418,461                |
| Subtotal                           | 25,239,541              | 111,325      | 78,070    | 25,272,796               |
| Less accumulated depreciation for: |                         |              |           |                          |
| Buildings and additions            | 4,296,333               | 306,000      | 0         | 4,602,333                |
| Machinery and equipment            | 4,611,561               | 216,929      | 78,070    | 4,750,420                |
| Transportation equipment           | 971,842                 | 106,236      | 0         | 1,078,078                |
| Accumulated depreciation           | 9,879,736               | 629,165      | 78,070    | 10,430,831               |
| Net Capital assets                 | \$ 15,359,805           | \$ (517,840) | \$ 0      | \$ 14,841,965            |

Depreciation for the fiscal year ended June 30, 2008 amounted to \$629,165. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**D. Long-Term Debt**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of the long-term debt transactions for the School District for the year ended June 30, 2008:



MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

|                          | SCHOOL<br>BOND<br>LOAN FUND | INSTALLMENT<br>PURCHASE<br>AGREEMENT | COMPENSATED<br>ABSENCES AND<br>SEVERANCE PLAN | BONDS         | TOTAL        |
|--------------------------|-----------------------------|--------------------------------------|---|---------------|--------------|
| Balance, July 1, 2007    | \$ 1,412,312                | \$ 49,525                            | \$ 246,756                                    | \$ 10,944,642 | \$12,653,235 |
| Additions                | 0                           | 0                                    | 0   | 0             | 0            |
| Deletions                | (608,702)                   | (11,429)                             | (53,986)                                      | (735,000)     | (1,409,117)  |
| Balance, June 30, 2008   | 803,610                     | 38,096                               | 192,770                                       | 10,209,642    | 11,244,118   |
| Less current portion     | 0                           | (12,042)                             | 0   | (741,477)     | (753,519)    |
| Total due after one year | \$ 803,610                  | \$ 26,054                            | \$ 192,770                                    | \$ 9,468,165  | \$10,490,599 |

Long-Term Debt at June 30, 2008, is comprised of the following:

1999 refunding bonds due in annual installments of \$55,000 to \$785,000 through May 1, 2021, with interest at 4.35% to 4.85%. \$ 8,575,000

2003 Refunding Bonds due in annual installments of \$160,000 to \$695,000 through May 1, 2011, with interest at 3.00% to 3.30%. 1,540,000

Total general obligation debt \$10,115,000

School Bond Loan Fund loan beginning October 30, 1996, Interest at 4.75%. This is a loan from the State of Michigan pursuant to P.A. 108 of 1961. The District's debt retirement millage is limited to 7.0 mills. As long as the tax revenue from this millage is insufficient to make current debt service payments on the District's bonds, additional loans can be obtained in amounts sufficient to make bond and interest payments. No payments are due on the School Bond Loan Fund loan or accrued interest until such time as tax revenues exceed bond debt service requirements. Does not include accrued interest of \$42,548. 803,610

1998 Limited obligation bonds (Durant bonds) due in annual installments of \$10,466 to \$70,327 through May 2013. 94,642

School Bus Purchase Agreement due in annual installments of \$14,083 through July 14, 2010, including interest at 5.36%. 38,096

\$11,051,348

The Durant bonds, including interest, was issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

The annual requirements to amortize all debt outstanding as of June 30, 2008, including interest payments of \$3,379,768 are as follows:

| YEAR ENDING<br>JUNE 30,                    | Principal            | Interest            | Amounts<br>Payable   |
|--|----------------------|---------------------|----------------------|
| 2009                                       | \$ 753,519           | \$ 457,612          | \$ 1,211,131         |
| 2010                                       | 775,166              | 428,021             | 1,203,187            |
| 2011                                       | 791,086              | 401,873             | 1,192,959            |
| 2012                                       | 852,826              | 369,097             | 1,221,923            |
| 2013                                       | 785,000              | 331,987             | 1,116,987            |
| 2014-2018                                  | 3,935,141            | 1,120,588           | 5,055,729            |
| 2019-2021                                  | 2,355,000            | 228,042             | 2,583,042            |
|  | 10,247,738           | 3,337,220           | 13,584,958           |
| Compensated absences and<br>severance plan | 192,770              | 0                   | 192,770              |
| School Bond Loan Fund                      | 803,610              | 42,548              | 846,158              |
|  | <u>\$ 11,244,118</u> | <u>\$ 3,379,768</u> | <u>\$ 14,623,886</u> |

The annual requirements to amortize the accrued sick leave and School Bond Loan Fund is uncertain because it is unknown when the repayments will be made.

**E. Interfund Receivables, Payables, and Transfers**

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2008, were:

|   | INTERFUND<br>RECEIVABLES | INTERFUND<br>PAYABLES |
|---|--------------------------|-----------------------|
| General Fund                                    | \$ 6,600                 | \$ 6,069              |
| School Service Fund - Food Service              | 6,069                    | 0                     |
| Debt Retirement Fund - 1999 Refunding Debt Fund | 0                        | 2,508                 |
| Debt Retirement Fund - 2003 Refunding Debt Fund | 0                        | 4,092                 |
|   | <u>\$ 12,669</u>         | <u>\$ 12,669</u>      |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers are as shown in the individual fund financial statements at June 30, 2008, were:

|   | TRANSFERS<br>IN | TRANSFERS<br>OUT |
|---|-----------------|------------------|
| General Fund                              | \$ 7,334        | \$ 0             |
| School Service Fund - Public Library Fund | 0               | 7,334            |
|   | <u>\$ 7,334</u> | <u>\$ 7,334</u>  |

Transfers are used to move unrestricted general fund revenues to finance various programs that the school must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies.

**F. Leases**

The rental expense for the year ended June 30, 2008, totaled \$54,739.

The rental expense consists of lease agreements on copiers, computers, band instruments and alternative education building. The future minimum lease payments for these leases are as follows:

| <u>YEAR ENDING</u> |                  |
|--------------------|------------------|
| 2009               | \$ 14,525        |
| 2010               | 11,062           |
| 2011               | 5,952            |
| 2012               | <u>3,472</u>     |
|                    | <u>\$ 35,011</u> |

**G. Short-Term Debt**

On August 18, 2006, the District issued a State Aid Note in the amount of \$1,924,000 which has been paid in full. On August 20, 2007, the District issued another State Aid Note in the amount of \$1,165,000. This note matures on August 20, 2008, with interest at 3.68%.

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**NOTE 4 - OTHER INFORMATION**

**A. Employee Retirement System**

Plan Description. The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the nine member board of MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909 or by calling (517) 322-5103.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2008, were 17.74% of payroll through September 30, 2007, and 16.72% effective October 1, 2007. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2008, 2007, and 2006 were \$1,254,179, \$1,257,861, and \$1,230,378 respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

Other Post Employment Benefits Funding Policy

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage.

**B. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2008 or any of the prior three years.

**C. Sale of Future Revenues**

For several years, the District has sold its rights to delinquent real property tax revenues and related late payment penalties to the Mecosta, Montcalm, and Newaygo County treasurers. For the 2007 tax roll the District received a lump sum payment of \$126,869 for general operating tax revenues and \$244,861 for debt service tax revenues. These amounts represent 100% of the present value of the delinquent real property tax revenues. In exchange for these payments, the counties are allowed to keep the delinquent taxes collected plus the late payment penalties charged. If the counties are ultimately unable to collect any of these delinquent taxes, the District will have to repay the counties.

MORLEY STANWOOD COMMUNITY SCHOOLS

MORLEY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2008

|  | ORIGINAL<br>BUDGET | FINAL<br>BUDGET | ACTUAL       |
|--|--------------------|-----------------|--------------|
| <u>REVENUES</u>                                      |                    |                 |              |
| Local Sources  | \$ 1,835,436       | \$ 1,851,536    | \$ 1,879,851 |
| State Sources  | 10,183,728         | 10,148,833      | 10,205,772   |
| Federal Sources                                      | 595,906            | 717,078         | 672,156      |
| Other Transactions                                   | 314,205            | 288,355         | 291,878      |
| Total Revenues                                       | 12,929,275         | 13,005,802      | 13,049,657   |
| <u>EXPENDITURES</u>                                  |                    |                 |              |
| Instruction  |                    |                 |              |
| Basic Programs                                       | 6,647,375          | 6,709,512       | 6,669,404    |
| Added Needs  | 1,619,411          | 1,798,623       | 1,745,558    |
| Adult/Continuing Education                           | 208,292            | 205,623         | 200,138      |
| Supporting Services                                  |                    |                 |              |
| Pupil  | 273,252            | 276,955         | 277,021      |
| Instructional Staff                                  | 441,474            | 425,053         | 417,752      |
| General Administration                               | 344,664            | 298,877         | 298,114      |
| School Administration                                | 833,227            | 856,044         | 853,773      |
| Business   | 88,700             | 173,431         | 170,343      |
| Operation and Maintenance of Plant                   | 1,584,122          | 1,562,382       | 1,445,281    |
| Pupil Transportation Services                        | 829,357            | 878,331         | 823,780      |
| Support Services Technology                          | 237,690            | 227,351         | 225,038      |
| Other Transactions                                   | 42,583             | 0               | 0            |
| Debt Service   |                    |                 |              |
| Principal  | 0                  | 0               | 11,429       |
| Total Expenditures                                   | 13,150,147         | 13,412,182      | 13,137,631   |
| Excess (Deficiency) of Revenues<br>Over Expenditures | (220,872)          | (406,380)       | (87,974)     |
| <u>OTHER FINANCING SOURCES (USES)</u>                |                    |                 |              |
| Transfers In   | 6,998              | 6,998           | 7,334        |
| Net Change in Fund Balance                           | (213,874)          | (399,382)       | (80,640)     |
| <u>FUND BALANCE</u> - Beginning of Year              | 935,608            | 935,608         | 935,608      |
| <u>FUND BALANCE</u> - End of Year                    | \$ 721,734         | \$ 536,226      | \$ 854,968   |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2008

|  | SPECIAL<br>REVENUE<br>FUNDS | DEBT<br>RETIREMENT<br>FUNDS | TOTAL<br>NONMAJOR<br>GOVERNMENTAL<br>FUNDS |
|--|-----------------------------|-----------------------------|--|
|  |                             |                             |  |
| <u>ASSETS</u>                          |                             |                             |  |
| Cash                                   | \$ 193,035                  | \$ 248,094                  | \$ 441,129                                 |
| Taxes Receivable                       | 0                           | 4,075                       | 4,075                                      |
| Due from Other Funds                   | 6,069                       | 0                           | 6,069                                      |
| Inventory                              | 6,262                       | 0                           | 6,262                                      |
|  |                             |                             |  |
| TOTAL ASSETS                           | <u>\$ 205,366</u>           | <u>\$ 252,169</u>           | <u>\$ 457,535</u>                          |
|  |                             |                             |  |
| <u>LIABILITIES AND FUND BALANCES</u>   |                             |                             |  |
| <u>LIABILITIES</u>                     |                             |                             |  |
| Accounts Payable                       | \$ 2,144                    | \$ 0                        | \$ 2,144                                   |
| Due to Other Funds                     | 0                           | 6,600                       | 6,600                                      |
| Deferred Revenue                       | 0                           | 3,685                       | 3,685                                      |
|  |                             |                             |  |
|  | <u>2,144</u>                | <u>10,285</u>               | <u>12,429</u>                              |
|  |                             |                             |  |
| <u>FUND BALANCE</u>                    |                             |                             |  |
| Reserved                               | 6,262                       | 241,884                     | 248,146                                    |
| Unreserved                             |                             |                             |  |
| Designated                             | 48,778                      | 0                           | 48,778                                     |
| Undesignated                           | 148,182                     | 0                           | 148,182                                    |
|  |                             |                             |  |
| Total Fund Balances                    | <u>203,222</u>              | <u>241,884</u>              | <u>445,106</u>                             |
|  |                             |                             |  |
| TOTAL LIABILITIES<br>AND FUND BALANCES | <u>\$ 205,366</u>           | <u>\$ 252,169</u>           | <u>\$ 457,535</u>                          |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2008

|  | SPECIAL<br>REVENUE<br>FUNDS | DEBT<br>RETIREMENT<br>FUNDS | TOTAL<br>NONMAJOR<br>GOVERNMENTAL<br>FUNDS |
|--|-----------------------------|-----------------------------|--|
| <u>REVENUES</u>                                      |                             |                             |  |
| Local Sources  | \$ 413,929                  | \$ 1,811,322                | \$ 2,225,251                               |
| State Sources  | 35,339                      | 0                           | 35,339                                     |
| Federal Sources                                      | 380,850                     | 0                           | 380,850                                    |
| Total Revenues                                       | 830,118                     | 1,811,322                   | 2,641,440                                  |
| <u>EXPENDITURES</u>                                  |                             |                             |  |
| Food Service Activities                              | 638,854                     | 0                           | 638,854                                    |
| Athletic Activities                                  | 121,263                     | 0                           | 121,263                                    |
| School Operated Public Library                       | 68,023                      | 0                           | 68,023                                     |
| Debt Service   |                             |                             |  |
| Principal  | 0                           | 1,343,702                   | 1,343,702                                  |
| Interest and Other                                   | 0                           | 546,183                     | 546,183                                    |
| Total Expenditures                                   | 828,140                     | 1,889,885                   | 2,718,025                                  |
| Excess (Deficiency) of Revenues<br>Over Expenditures | 1,978                       | (78,563)                    | (76,585)                                   |
| <u>OTHER FINANCING SOURCES (USES)</u>                |                             |                             |  |
| Transfers In   | 0                           | 0                           | 0  |
| Transfers Out  | (7,334)                     | 0                           | (7,334)                                    |
| Total Other Financing Sources (Uses)                 | (7,334)                     | 0                           | (7,334)                                    |
| Net Change in Fund Balance                           | (5,356)                     | (78,563)                    | (83,919)                                   |
| <u>FUND BALANCE - Beginning of Year</u>              | 208,578                     | 320,447                     | 529,025                                    |
| <u>FUND BALANCE - End of Year</u>                    | \$ 203,222                  | \$ 241,884                  | \$ 445,106                                 |



MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

GENERAL FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

|                                     | 2008                | 2007                |
|-------------------------------------|---------------------|---------------------|
| <u>ASSETS</u>                       |                     |                     |
| Cash                                | \$ 1,074,938        | \$ 2,101,483        |
| Taxes Receivable                    | 6,575               | 7,724               |
| Accounts Receivable                 | 12,775              | 477                 |
| Due from Other Funds                | 6,600               | 4,361               |
| Due from Other Governmental Units   | 1,981,212           | 1,871,592           |
| Prepaid Expenditures                | 19,270              | 56,812              |
| Investments                         | 28,347              | 27,271              |
|                                     |                     |                     |
| TOTAL ASSETS                        | <u>\$ 3,129,717</u> | <u>\$ 4,069,720</u> |
| <u>LIABILITIES AND FUND BALANCE</u> |                     |                     |
| <u>LIABILITIES</u>                  |                     |                     |
| Accounts Payable                    | \$ 217,861          | \$ 254,632          |
| Due to Other Funds                  | 6,069               | 1,394               |
| Salaries and Fringes Payable        | 861,068             | 910,022             |
| State Aid Anticipation Note Payable | 1,165,000           | 1,924,000           |
| Deferred Revenue                    | 24,751              | 44,064              |
|                                     |                     |                     |
| Total Liabilities                   | <u>2,274,749</u>    | <u>3,134,112</u>    |
| <u>FUND BALANCE</u>                 |                     |                     |
| Reserved for Prepaid Expenditures   | 19,270              | 56,812              |
| Unreserved                          |                     |                     |
| Designated for Capital Outlay       | 100,000             | 100,000             |
| Undesignated                        | 735,698             | 778,796             |
|                                     |                     |                     |
| Total Fund Balance                  | <u>854,968</u>      | <u>935,608</u>      |
|                                     |                     |                     |
| TOTAL LIABILITIES AND FUND BALANCE  | <u>\$ 3,129,717</u> | <u>\$ 4,069,720</u> |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

GENERAL FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

|                            | <u>2008</u>       | <u>2007</u>       |
|----------------------------|-------------------|-------------------|
| <u>REVENUES</u>            |                   |                   |
| Local Sources              | \$ 1,879,851      | \$ 1,726,712      |
| State Sources              | 10,205,772        | 10,490,849        |
| Federal Sources            | 672,156           | 747,720           |
| Other Transactions         | <u>291,878</u>    | <u>70,695</u>     |
| Total Revenues             | <u>13,049,657</u> | <u>13,035,976</u> |
| <u>EXPENDITURES</u>        |                   |                   |
| Instruction                |                   |                   |
| Basic Programs             |                   |                   |
| Elementary                 | 2,301,835         | 2,372,525         |
| Middle/Junior High         | 2,007,040         | 1,978,769         |
| High School                | 2,120,633         | 2,027,500         |
| Pre School                 | 237,999           | 231,000           |
| Summer School              | 1,897             | 0                 |
| Added Needs                |                   |                   |
| Special Education          | 1,100,461         | 1,171,188         |
| Compensatory Education     | 645,097           | 681,671           |
| Adult/Continuing Education |                   |                   |
| Alternative Education      | 200,138           | 200,118           |
| Supporting Services        |                   |                   |
| Pupil                      |                   |                   |
| Guidance Services          | 99,159            | 95,408            |
| Social Work Services       | 140,328           | 135,066           |
| Teacher Consultant         | 37,534            | 35,233            |
| Instructional Staff        |                   |                   |
| Improvement of Instruction | 195,198           | 223,911           |
| Educational Media Services | 152,891           | 161,738           |
| Supervision and Direction  | 69,663            | 71,514            |
| General Administration     |                   |                   |
| Board of Education         | 68,305            | 56,339            |
| Executive Administration   | 229,809           | 314,273           |
| School Administration      |                   |                   |
| Office of the Principal    | 853,773           | 848,385           |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

GENERAL FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

|  | <u>2008</u>       | <u>2007</u>       |
|--|-------------------|-------------------|
| Business                                       |                   |                   |
| Fiscal Services                                | 79,256            | 0                 |
| Other Business Services                        | 91,087            | 92,242            |
| Operation and Maintenance of Plant             |                   |                   |
| Operating Building Services                    | 1,440,612         | 1,541,395         |
| Security Services                              | 4,669             | 15,144            |
| Pupil Transportation Services                  | 823,780           | 836,095           |
| Support Services                               |                   |                   |
| Support Services Technology                    | 219,476           | 156,047           |
| Planning, Research, Development and Evaluation | 5,562             | 3,621             |
| Debt Service                                   | 11,429            | 14,083            |
|  | <u>13,137,631</u> | <u>13,263,265</u> |
| Total Expenditures                             |                   |                   |
|  | <u>13,137,631</u> | <u>13,263,265</u> |
| Excess (Deficiency) of Revenues                |                   |                   |
| Over Expenditures                              | (87,974)          | (227,289)         |
|  | <u>(87,974)</u>   | <u>(227,289)</u>  |
| <u>OTHER FINANCING SOURCES (USES)</u>          |                   |                   |
| Transfers In (Out)                             |                   |                   |
| Public Library Fund                            | 7,334             | 6,998             |
| Loan Proceeds                                  | 0                 | 63,608            |
|  | <u>7,334</u>      | <u>63,608</u>     |
| Total Other Financing Sources (Uses)           | <u>7,334</u>      | <u>70,606</u>     |
|  | <u>7,334</u>      | <u>70,606</u>     |
| Net Change in Fund Balance                     | (80,640)          | (156,683)         |
|  | <u>(80,640)</u>   | <u>(156,683)</u>  |
| <u>FUND BALANCE</u> - Beginning of Year        | <u>935,608</u>    | <u>1,092,291</u>  |
|  | <u>935,608</u>    | <u>1,092,291</u>  |
| <u>FUND BALANCE</u> - End of Year              | <u>\$ 854,968</u> | <u>\$ 935,608</u> |
|  | <u>\$ 854,968</u> | <u>\$ 935,608</u> |

MORLEY STANWOOD COMMUNITY SCHOOLS

MORLEY, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF REVENUES

YEAR ENDED JUNE 30,

|   | <u>2008</u>              | <u>2007</u>              |
|---|--------------------------|--------------------------|
| <u>LOCAL SOURCES</u>                          |                          |                          |
| Property Tax Levy                             | \$ 1,695,110             | \$ 1,482,917             |
| Other Taxes                                   | 9,536                    | 8,131                    |
| Earnings on Investments                       | 44,735                   | 73,846                   |
| Other Local Revenues                          |                          |                          |
| Medicaid Fees                                 | 25,467                   | 43,149                   |
| Rental Income                                 | 4,400                    | 3,150                    |
| Miscellaneous                                 | 100,603                  | 115,519                  |
| Total Local Sources                           | <u>1,879,851</u>         | <u>1,726,712</u>         |
| <u>STATE SOURCES</u>                          |                          |                          |
| Grants-In-Aid                                 |                          |                          |
| Received through the State                    |                          |                          |
| State School Aid                              | <u>10,205,772</u>        | <u>10,490,849</u>        |
| <u>FEDERAL SOURCES</u>                        |                          |                          |
| Grant-In-Aid Restricted                       |                          |                          |
| Received through the State                    |                          |                          |
| Title I                                       | 451,623                  | 455,163                  |
| Title II Part D                               | 7,362                    | 5,855                    |
| Comprehensive School Reform                   | 15,168                   | 135,519                  |
| Title II Part A Teacher Training              | 133,999                  | 86,474                   |
| Drug Free Schools                             | 10,064                   | 10,746                   |
| Title V                                       | 4,956                    | 1,252                    |
| Title VI                                      | 47,626                   | 48,827                   |
| Received through Intermediate School District |                          |                          |
| Medicaid Outreach                             | 642                      | 3,384                    |
| IDEA  | 716                      | 500                      |
| Total Federal Sources                         | <u>672,156</u>           | <u>747,720</u>           |
| <u>OTHER TRANSACTIONS</u>                     |                          |                          |
| Transfers from Other Governmental Units       | 291,878                  | 68,443                   |
| Sale of Fixed Assets                          | 0                        | 2,252                    |
| Total Other Transactions                      | <u>291,878</u>           | <u>70,695</u>            |
| <br>TOTAL REVENUES                            | <br><u>\$ 13,049,657</u> | <br><u>\$ 13,035,976</u> |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED JUNE 30,

| <u>INSTRUCTION</u>                   | <u>2008</u>      | <u>2007</u>      |
|--------------------------------------|------------------|------------------|
| <u>Basic Programs</u>                |                  |                  |
| <u>Elementary</u>                    |                  |                  |
| Salaries                             | \$ 1,423,922     | \$ 1,448,035     |
| Employee Benefits                    | 748,522          | 800,972          |
| Purchased Services                   | 52,868           | 57,578           |
| Supplies and Materials               | 71,624           | 64,279           |
| Dues, Fees and Miscellaneous         | 4,899            | 1,268            |
| Capital Outlay                       | 0                | 393              |
| Total Elementary                     | <u>2,301,835</u> | <u>2,372,525</u> |
| <br><u>Middle School/Junior High</u> |                  |                  |
| Salaries                             | 1,253,399        | 1,217,698        |
| Employee Benefits                    | 663,493          | 677,678          |
| Purchased Services                   | 41,860           | 40,590           |
| Supplies and Materials               | 40,476           | 35,489           |
| Dues, Fees and Miscellaneous         | 2,502            | 725              |
| Capital Outlay                       | 5,310            | 6,589            |
| Total Middle School/Junior High      | <u>2,007,040</u> | <u>1,978,769</u> |
| <br><u>High School</u>               |                  |                  |
| Salaries                             | 1,259,820        | 1,187,909        |
| Employee Benefits                    | 625,857          | 617,280          |
| Purchased Services                   | 79,312           | 112,220          |
| Supplies and Materials               | 104,610          | 67,329           |
| Dues, Fees and Miscellaneous         | 51,034           | 42,762           |
| Total High School                    | <u>2,120,633</u> | <u>2,027,500</u> |
| <br><u>Pre School</u>                |                  |                  |
| Purchased Services                   | <u>237,999</u>   | <u>231,000</u>   |
| <br><u>Summer School</u>             |                  |                  |
| Salaries                             | 520              | 0                |
| Employee Benefits                    | 127              | 0                |
| Supplies and Materials               | 1,250            | 0                |
| Total Summer School                  | <u>1,897</u>     | <u>0</u>         |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED JUNE 30,

|                                       | <u>2008</u>      | <u>2007</u>      |
|---------------------------------------|------------------|------------------|
| <u>Added Needs</u>                    |                  |                  |
| <u>Special Education</u>              |                  |                  |
| Salaries                              | 700,889          | 700,799          |
| Employee Benefits                     | 347,170          | 372,135          |
| Purchased Services                    | 51,043           | 63,738           |
| Supplies and Materials                | 1,261            | 34,268           |
| Dues, Fees and Miscellaneous          | 98               | 248              |
| Total Special Education               | <u>1,100,461</u> | <u>1,171,188</u> |
| <br><u>Compensatory Education</u>     |                  |                  |
| Salaries                              | 395,113          | 408,531          |
| Employee Benefits                     | 235,284          | 240,843          |
| Purchased Services                    | 14,635           | 26,595           |
| Supplies and Materials                | 65               | 5,702            |
| Total Compensatory Education          | <u>645,097</u>   | <u>681,671</u>   |
| <br><u>Adult/Continuing Education</u> |                  |                  |
| <u>Alternative Education</u>          |                  |                  |
| Salaries                              | 120,778          | 112,883          |
| Employee Benefits                     | 71,928           | 71,297           |
| Purchased Services                    | 1,793            | 3,389            |
| Supplies and Materials                | 5,064            | 11,519           |
| Capital Outlay                        | 575              | 1,030            |
| Total Alternative Education           | <u>200,138</u>   | <u>200,118</u>   |
| <br><u>SUPPORTING SERVICES</u>        |                  |                  |
| <u>Pupil Services</u>                 |                  |                  |
| <u>Guidance Services</u>              |                  |                  |
| Salaries of Counselors                | 67,642           | 64,081           |
| Employee Benefits                     | 31,276           | 31,133           |
| Purchased Services                    | 241              | 194              |
| Total Guidance Services               | <u>99,159</u>    | <u>95,408</u>    |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED JUNE 30,

|   | <u>2008</u>    | <u>2007</u>    |
|---|----------------|----------------|
| <u>Social Work Services</u>                                 |                |                |
| Salaries  | 101,097        | 96,797         |
| Employee Benefits   | 38,742         | 37,869         |
| Purchased Services  | 489            | 400            |
| Total Social Work Services                                  | <u>140,328</u> | <u>135,066</u> |
| <br><u>Teacher Consultant</u>                               |                |                |
| Salaries  | 27,061         | 25,651         |
| Employee Benefits   | 10,313         | 9,582          |
| Purchased Services  | 160            | 0              |
| Total Teacher Consultant                                    | <u>37,534</u>  | <u>35,233</u>  |
| <br><u>Instructional Staff</u>                              |                |                |
| <u>Improvement of Instruction</u>                           |                |                |
| Salaries  | 47,856         | 27,315         |
| Employee Benefits   | 21,746         | 9,362          |
| Purchased Services  | 103,682        | 164,931        |
| Supplies and Materials                                      | 21,390         | 21,999         |
| Dues, Fees and Miscellaneous                                | 524            | 304            |
| Total Improvement of Instruction                            | <u>195,198</u> | <u>223,911</u> |
| <br><u>Educational Media Services</u>                       |                |                |
| Salaries  | 85,131         | 85,159         |
| Employee Benefits   | 48,419         | 48,909         |
| Purchased Services  | 18,798         | 27,180         |
| Capital Outlay  | 543            | 490            |
| Total Educational Media Services                            | <u>152,891</u> | <u>161,738</u> |
| <br><u>Supervision and Direction of Instructional Staff</u> |                |                |
| Salaries  | 39,340         | 37,051         |
| Employee Benefits   | 13,189         | 12,421         |
| Purchased Services  | 17,134         | 22,042         |
| Total Supervision and Direction of Instructional Staff      | <u>69,663</u>  | <u>71,514</u>  |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED JUNE 30,

|  | <u>2008</u>    | <u>2007</u>    |
|--|----------------|----------------|
| <u>General Administrative Services</u> |                |                |
| <u>Board of Education</u>              |                |                |
| Board of Education Fees                | 2,500          | 2,710          |
| Election Board Fees                    | 1,246          | 0              |
| Purchased Services                     | 51,009         | 41,275         |
| Unemployment Compensation              | 368            | 3,198          |
| Supplies and Materials                 | 60             | 1,481          |
| Dues, Fees and Miscellaneous           | 13,122         | 7,675          |
| Total Board of Education               | <u>68,305</u>  | <u>56,339</u>  |
| <u>Executive Administration</u>        |                |                |
| Salaries                               | 149,599        | 188,747        |
| Employee Benefits                      | 65,420         | 89,352         |
| Purchased Services                     | 4,897          | 25,809         |
| Supplies and Materials                 | 8,210          | 7,596          |
| Dues, Fees and Miscellaneous           | 1,683          | 2,769          |
| Total Executive Administration         | <u>229,809</u> | <u>314,273</u> |
| <u>School Administrative Services</u>  |                |                |
| <u>Office of the Principal</u>         |                |                |
| Salaries                               | 566,900        | 554,583        |
| Employee Benefits                      | 269,587        | 272,948        |
| Purchased Services                     | 6,652          | 4,220          |
| Materials and Supplies                 | 9,564          | 15,389         |
| Dues, Fees and Miscellaneous           | 1,070          | 1,245          |
| Total Office of the Principal          | <u>853,773</u> | <u>848,385</u> |
| <u>Business Services</u>               |                |                |
| <u>Fiscal Services</u>                 |                |                |
| Salaries                               | 37,775         | 0              |
| Employee Benefits                      | 20,874         | 0              |
| Purchased Services                     | 20,307         | 0              |
| Miscellaneous                          | 300            | 0              |
| Total Fiscal Services                  | <u>79,256</u>  | <u>0</u>       |



MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED JUNE 30,

|   | <u>2008</u>      | <u>2007</u>      |
|---|------------------|------------------|
| <u>Other Business Services</u>                |                  |                  |
| Insurance                                     | 18,191           | 11,437           |
| Interest                                      | 49,953           | 62,000           |
| Taxes Abated and Written Off                  | 3,272            | 16,057           |
| Summer Tax Collection Fee                     | 19,671           | 0                |
| Legal and Professional                        | 0                | 2,748            |
| Total Other Business                          | <u>91,087</u>    | <u>92,242</u>    |
| <br><u>Operation and Maintenance of Plant</u> |                  |                  |
| <u>Operating Building Services</u>            |                  |                  |
| Salaries of Custodians                        | 413,203          | 419,248          |
| Employee Benefits                             | 286,011          | 278,376          |
| Purchased Services                            | 219,326          | 312,679          |
| Materials and Supplies                        | 492,861          | 527,150          |
| Dues, Fees and Miscellaneous                  | 0                | 60               |
| Capital Outlay                                | 29,211           | 3,882            |
| Total Operating Building Services             | <u>1,440,612</u> | <u>1,541,395</u> |
| <br><u>Security Services</u>                  |                  |                  |
| Purchased Services                            | 4,669            | 3,000            |
| Capital Outlay                                | 0                | 12,144           |
| Total Security Services                       | <u>4,669</u>     | <u>15,144</u>    |
| <br><u>Pupil Transportation Services</u>      |                  |                  |
| Salaries                                      | 385,414          | 362,173          |
| Employee Benefits                             | 240,782          | 249,382          |
| Purchased Services                            | 42,568           | 41,263           |
| Supplies and Materials                        | 130,086          | 114,104          |
| Dues, Fees and Miscellaneous                  | 2,756            | 5,360            |
| Capital Outlay                                | 22,174           | 63,813           |
| Total Pupil Transportation Services           | <u>823,780</u>   | <u>836,095</u>   |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED JUNE 30,

|  | <u>2008</u>                 | <u>2007</u>                 |
|--|-----------------------------|-----------------------------|
| <u>Support Services - Technology</u>                       |                             |                             |
| Salaries   | 52,790                      | 49,926                      |
| Employee Benefits  | 28,021                      | 26,674                      |
| Purchased Services   | 97,098                      | 42,611                      |
| Supplies and Materials                                     | 115                         | 5,968                       |
| Capital Outlay   | 41,452                      | 30,868                      |
| Total Support Services - Technology                        | <u>219,476</u>              | <u>156,047</u>              |
| <br><u>Planning, Research Development &amp; Evaluation</u> |                             |                             |
| Supplies and Materials                                     | <u>5,562</u>                | <u>3,621</u>                |
| <br><u>Debt Service</u>                                    |                             |                             |
| Principal Retirement                                       | <u>11,429</u>               | <u>14,083</u>               |
| <br>Total Expenditures                                     | <u><u>\$ 13,137,631</u></u> | <u><u>\$ 13,263,265</u></u> |

MORLEY STANWOOD COMMUNITY SCHOOLS

MORLEY, MICHIGAN

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2008

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2007

|                                    | FOOD<br>SERVICE  | ATHLETIC<br>FUND | PUBLIC<br>LIBRARY | TOTALS            |                   |
|------------------------------------|------------------|------------------|-------------------|-------------------|-------------------|
|                                    |                  |                  |                   | 2008              | 2007              |
| <u>ASSETS</u>                      |                  |                  |                   |                   |                   |
| Cash                               | \$ 23,199        | \$ 21,654        | \$ 148,182        | \$ 193,035        | \$ 204,030        |
| Due from Other Funds               | 6,069            | 0                | 0                 | 6,069             | 1,394             |
| Inventory                          |                  |                  |                   |                   |                   |
| Supplies                           | 1,980            | 0                | 0                 | 1,980             | 1,700             |
| Food                               | 4,282            | 0                | 0                 | 4,282             | 4,182             |
| TOTAL ASSETS                       | <u>\$ 35,530</u> | <u>\$ 21,654</u> | <u>\$ 148,182</u> | <u>\$ 205,366</u> | <u>\$ 211,306</u> |
| <u>LIABILITIES</u>                 |                  |                  |                   |                   |                   |
| Accounts Payable                   | <u>\$ 2,144</u>  | <u>\$ 0</u>      | <u>\$ 0</u>       | <u>\$ 2,144</u>   | <u>\$ 2,728</u>   |
| <u>FUND BALANCE</u>                |                  |                  |                   |                   |                   |
| Reserved for Inventory             | 6,262            | 0                | 0                 | 6,262             | 5,882             |
| Unreserved                         |                  |                  |                   |                   |                   |
| Designated for:                    |                  |                  |                   |                   |                   |
| Food Service                       | 27,124           | 0                | 0                 | 27,124            | 32,765            |
| Athletic                           | 0                | 21,654           | 0                 | 21,654            | 21,697            |
| Undesignated                       | 0                | 0                | 148,182           | 148,182           | 148,234           |
| Total Fund Balance                 | <u>33,386</u>    | <u>21,654</u>    | <u>148,182</u>    | <u>203,222</u>    | <u>208,578</u>    |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 35,530</u> | <u>\$ 21,654</u> | <u>\$ 148,182</u> | <u>\$ 205,366</u> | <u>\$ 211,306</u> |

MORLEY STANWOOD COMMUNITY SCHOOLS

MORLEY, MICHIGAN

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

JUNE 30, 2008

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2007

|   | FOOD<br>SERVICE | ATHLETIC<br>FUND | PUBLIC<br>LIBRARY | TOTALS     |            |
|---|-----------------|------------------|-------------------|------------|------------|
|   |                 |                  |                   | 2008       | 2007       |
| <u>REVENUES</u>                                   |                 |                  |                   |            |            |
| Local Sources                                     | \$ 223,746      | \$ 121,220       | \$ 68,963         | \$ 413,929 | \$ 428,486 |
| State Sources                                     | 28,997          | 0                | 6,342             | 35,339     | 40,749     |
| Federal Sources                                   | 380,850         | 0                | 0                 | 380,850    | 342,971    |
| Total Revenues                                    | 633,593         | 121,220          | 75,305            | 830,118    | 812,206    |
| <u>EXPENDITURES</u>                               |                 |                  |                   |            |            |
| Salaries  | 220,867         | 0                | 39,605            | 260,472    | 244,871    |
| Employee Benefits                                 | 103,448         | 0                | 11,983            | 115,431    | 115,230    |
| Purchased Services                                | 9,711           | 40,948           | 1,853             | 52,512     | 47,804     |
| Supplies and Materials                            | 299,174         | 48,494           | 12,560            | 360,228    | 319,811    |
| Other Expenditures                                | 4,401           | 31,821           | 1,922             | 38,144     | 34,475     |
| Capital Outlay                                    | 1,253           | 0                | 100               | 1,353      | 35,313     |
| Total Expenditures                                | 638,854         | 121,263          | 68,023            | 828,140    | 797,504    |
| Excess (Deficiency) of Revenues Over Expenditures | (5,261)         | (43)             | 7,282             | 1,978      | 14,702     |
| <u>OTHER FINANCING SOURCES (USES)</u>             |                 |                  |                   |            |            |
| Transfers Out                                     | 0               | 0                | (7,334)           | (7,334)    | (6,998)    |
| Net Change in Fund Balance                        | (5,261)         | (43)             | (52)              | (5,356)    | 7,704      |
| <u>FUND BALANCE</u> - Beginning of Year           | 38,647          | 21,697           | 148,234           | 208,578    | 200,874    |
| <u>FUND BALANCE</u> - End of Year                 | \$ 33,386       | \$ 21,654        | \$ 148,182        | \$ 203,222 | \$ 208,578 |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

FOOD SERVICE FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

|  | <u>2008</u>      | <u>2007</u>      |
|--|------------------|------------------|
| <u>ASSETS</u>                              |                  |                  |
| Cash                                       | \$ 23,199        | \$ 34,099        |
| Due from Other Funds                       | 6,069            | 1,394            |
| Inventory                                  |                  |                  |
| Supplies                                   | 1,980            | 1,700            |
| Food                                       | 4,282            | 4,182            |
|  |                  |                  |
| TOTAL ASSETS                               | <u>\$ 35,530</u> | <u>\$ 41,375</u> |
|  |                  |                  |
| <u>LIABILITIES AND FUND BALANCE</u>        |                  |                  |
|  |                  |                  |
| <u>LIABILITIES</u>                         |                  |                  |
| Accounts Payable                           | <u>\$ 2,144</u>  | <u>\$ 2,728</u>  |
|  |                  |                  |
| <u>FUND BALANCE</u>                        |                  |                  |
| Reserved for Inventory - Food and Supplies | 6,262            | 5,882            |
| Unreserved - Designated for Food Service   | <u>27,124</u>    | <u>32,765</u>    |
|  |                  |                  |
| Total Fund Balance                         | <u>33,386</u>    | <u>38,647</u>    |
|  |                  |                  |
| TOTAL LIABILITIES AND FUND BALANCE         | <u>\$ 35,530</u> | <u>\$ 41,375</u> |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

FOOD SERVICE FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

|   | <u>2008</u>      | <u>2007</u>      |
|---|------------------|------------------|
| <u>REVENUES</u>                                   |                  |                  |
| Local Sources                                     |                  |                  |
| Earnings on Investments and Deposits              | \$ 1,003         | \$ 1,400         |
| Children's Lunches                                | 118,583          | 111,689          |
| Adult Lunches                                     | 11,267           | 10,786           |
| Breakfast   | 7,350            | 9,879            |
| Snack Bar   | 71,952           | 73,732           |
| Miscellaneous                                     | 13,591           | 10,598           |
| Total Local Sources                               | <u>223,746</u>   | <u>218,084</u>   |
| State Sources                                     |                  |                  |
| State Aid - Regular                               | <u>28,997</u>    | <u>34,044</u>    |
| Federal Sources                                   |                  |                  |
| Federal Aid - Regular                             | 350,177          | 320,796          |
| Federal Aid - U.S.D.A. Commodities                | 30,673           | 22,175           |
| Total Federal Sources                             | <u>380,850</u>   | <u>342,971</u>   |
| Total Revenues                                    | <u>633,593</u>   | <u>595,099</u>   |
| <u>EXPENDITURES</u>                               |                  |                  |
| Salaries  | 220,867          | 204,771          |
| Employee Benefits                                 | 103,448          | 102,967          |
| Purchased Services                                | 9,711            | 12,626           |
| Supplies and Materials                            | 299,174          | 278,312          |
| Other Expenditures                                | 4,401            | 7,185            |
| Capital Outlay                                    | 1,253            | 4,777            |
| Total Expenditures                                | <u>638,854</u>   | <u>610,638</u>   |
| Excess (Deficiency) of Revenues Over Expenditures | (5,261)          | (15,539)         |
| <u>FUND BALANCE</u> - Beginning of Year           | <u>38,647</u>    | <u>54,186</u>    |
| <u>FUND BALANCE</u> - End of Year                 | <u>\$ 33,386</u> | <u>\$ 38,647</u> |



MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

ATHLETIC FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE

YEAR ENDED JUNE 30,

|   | <u>2008</u>      | <u>2007</u>      |
|---|------------------|------------------|
| <u>REVENUES</u>                                   |                  |                  |
| Local Sources                                     |                  |                  |
| Earnings on Investments                           | \$ 851           | \$ 598           |
| Donations   | 6,075            | 31,430           |
| Gate Receipts, Admissions and Camp Fees           | 114,294          | 98,643           |
|   | <hr/>            | <hr/>            |
| Total Revenues                                    | 121,220          | 130,671          |
|   | <hr/>            | <hr/>            |
| <u>EXPENDITURES</u>                               |                  |                  |
| Purchased Services                                | 40,948           | 33,641           |
| Supplies and Materials                            | 48,494           | 32,748           |
| Dues and Fees                                     | 22,611           | 19,889           |
| Other Expenditures                                | 9,210            | 3,789            |
| Capital Outlay                                    | 0                | 28,500           |
|   | <hr/>            | <hr/>            |
| Total Expenditures                                | 121,263          | 118,567          |
|   | <hr/>            | <hr/>            |
| Excess (Deficiency) of Revenues Over Expenditures | (43)             | 12,104           |
| <br><u>FUND BALANCE</u> - Beginning of Year       | <br>21,697       | <br>9,593        |
|   | <hr/>            | <hr/>            |
| <u>FUND BALANCE</u> - End of Year                 | <u>\$ 21,654</u> | <u>\$ 21,697</u> |
|   | <hr/> <hr/>      | <hr/> <hr/>      |





MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

PUBLIC LIBRARY FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

|   | <u>2008</u>       | <u>2007</u>       |
|---|-------------------|-------------------|
| <u>REVENUES</u>                                   |                   |                   |
| Local Sources                                     |                   |                   |
| Earnings on Investments and Deposits              | \$ 6,815          | \$ 9,771          |
| Penal Fines                                       | 55,323            | 60,855            |
| Township Aid                                      | 4,400             | 4,400             |
| Miscellaneous                                     | 2,425             | 4,705             |
| Total Local Sources                               | <u>68,963</u>     | <u>79,731</u>     |
| State Sources                                     |                   |                   |
| State Aid   | <u>6,342</u>      | <u>6,705</u>      |
| Total Revenues                                    | <u>75,305</u>     | <u>86,436</u>     |
| <u>EXPENDITURES</u>                               |                   |                   |
| Salaries  | 39,605            | 40,100            |
| Employee Benefits                                 | 11,983            | 12,263            |
| Purchased Services                                | 1,853             | 1,537             |
| Supplies and Materials                            | 12,560            | 8,751             |
| Dues and Fees                                     | 1,752             | 3,409             |
| Miscellaneous                                     | 170               | 203               |
| Capital Outlay                                    | <u>100</u>        | <u>2,036</u>      |
| Total Expenditures                                | <u>68,023</u>     | <u>68,299</u>     |
| Excess (Deficiency) of Revenues Over Expenditures | 7,282             | 18,137            |
| <u>OTHER FINANCING SOURCES (USES)</u>             |                   |                   |
| Transfers Out                                     |                   |                   |
| General Fund                                      | <u>(7,334)</u>    | <u>(6,998)</u>    |
| Net Change in Fund Balance                        | (52)              | 11,139            |
| <u>FUND BALANCE</u> - Beginning of Year           | <u>148,234</u>    | <u>137,095</u>    |
| <u>FUND BALANCE</u> - End of Year                 | <u>\$ 148,182</u> | <u>\$ 148,234</u> |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

DEBT RETIREMENT FUNDS  
COMBINING BALANCE SHEET

JUNE 30, 2008

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2007

|                                       | 1995 | 1999              | 2003              | TOTALS     |            |
|---------------------------------------|------|-------------------|-------------------|------------|------------|
|                                       | DEBT | REFUNDING<br>DEBT | REFUNDING<br>DEBT | 2008       | 2007       |
| <u>ASSETS</u>                         |      |                   |                   |            |            |
| Cash                                  | \$ 0 | \$ 112,052        | \$ 136,042        | \$ 248,094 | \$ 322,908 |
| Taxes Receivable                      | 0    | 2,690             | 1,385             | 4,075      | 4,547      |
| Due from 1995 Debt Retirement Fund    | 0    | 0                 | 0                 | 0          | 60         |
| Total Assets                          | \$ 0 | \$ 114,742        | \$ 137,427        | \$ 252,169 | \$ 327,515 |
| <u>LIABILITIES AND FUND BALANCE</u>   |      |                   |                   |            |            |
| <u>LIABILITIES</u>                    |      |                   |                   |            |            |
| Due to General Fund                   | \$ 0 | \$ 2,508          | \$ 4,092          | \$ 6,600   | \$ 4,361   |
| Due to 1999 Debt Fund                 | 0    | 0                 | 0                 | 0          | 60         |
| Deferred Revenue                      | 0    | 2,542             | 1,143             | 3,685      | 2,647      |
| Total Liabilities                     | 0    | 5,050             | 5,235             | 10,285     | 7,068      |
| <u>FUND BALANCE</u>                   |      |                   |                   |            |            |
| Reserved for Debt Retirement          | 0    | 109,692           | 132,192           | 241,884    | 320,447    |
| TOTAL LIABILITIES<br>AND FUND BALANCE | \$ 0 | \$ 114,742        | \$ 137,427        | \$ 252,169 | \$ 327,515 |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

DEBT RETIREMENT FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2008

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2007

|  | 1995 | 1999       | 2003         | TOTALS       |              |
|--|------|------------|--------------|--------------|--------------|
|  | DEBT | REFUNDING  | REFUNDING    | 2008         | 2007         |
|  | DEBT | DEBT       | DEBT         |              |              |
| <u>REVENUES</u>                                      |      |            |              |              |              |
| Local Sources  | \$ 0 | \$ 687,431 | \$ 1,123,891 | \$ 1,811,322 | \$ 1,654,216 |
| State Sources  | 0    | 0          | 0            | 0            | 0            |
| Total Revenues                                       | 0    | 687,431    | 1,123,891    | 1,811,322    | 1,654,216    |
| <u>EXPENDITURES</u>                                  |      |            |              |              |              |
| Principal Payments                                   | 0    | 365,438    | 978,264      | 1,343,702    | 1,083,941    |
| Interest Payments                                    | 0    | 440,156    | 104,459      | 544,615      | 575,185      |
| Taxes Abated and Written Off                         | 0    | 543        | 925          | 1,468        | 5,626        |
| Miscellaneous  | 0    | 50         | 50           | 100          | 700          |
| Total Expenditures                                   | 0    | 806,187    | 1,083,698    | 1,889,885    | 1,665,452    |
| Excess (Deficiency) of Revenues<br>Over Expenditures | 0    | (118,756)  | 40,193       | (78,563)     | (11,236)     |
| <u>FUND BALANCE</u> - Beginning of Year              | 0    | 228,448    | 91,999       | 320,447      | 331,683      |
| <u>FUND BALANCE</u> - End of Year                    | \$ 0 | \$ 109,692 | \$ 132,192   | \$ 241,884   | \$ 320,447   |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

1995 DEBT RETIREMENT FUND  
COMPARATIVE BALANCE SHEET

JUNE 30,

|   | <u>2008</u> | <u>2007</u> |
|---|-------------|-------------|
| <u>ASSETS</u>                                     |             |             |
| Cash  | \$ 0        | \$ 60       |
|   |             |             |
| <u>LIABILITIES AND FUND BALANCE</u>               |             |             |
| <u>LIABILITIES</u>                                |             |             |
| Due to 1999 School Refunding Debt Retirement Fund | \$ 0        | \$ 60       |
|   |             |             |
| <u>FUND BALANCE</u>                               |             |             |
| Reserved for Debt Retirement                      | 0           | 0           |
|   |             |             |
| TOTAL LIABILITIES AND FUND BALANCE                | \$ 0        | \$ 60       |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

1995 DEBT RETIREMENT FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

|   | <u>2008</u> | <u>2007</u>     |
|---|-------------|-----------------|
| <u>REVENUES</u>                                   |             |                 |
| Local Sources                                     |             |                 |
| Earnings on Investments                           | \$ 0        | \$ 166          |
| <u>EXPENDITURES</u>                               | <u>0</u>    | <u>0</u>        |
| Excess (Deficiency) of Revenues Over Expenditures | 0           | 166             |
| <u>OTHER FINANCING SOURCES (USES)</u>             |             |                 |
| Transfers Out                                     |             |                 |
| 1999 School Refunding Bond Debt Retirement Fund   | <u>0</u>    | <u>(52,340)</u> |
| Net Change in Fund Balance                        | 0           | (52,174)        |
| <u>FUND BALANCE</u> - Beginning of Year           | <u>0</u>    | <u>52,174</u>   |
| <u>FUND BALANCE</u> - End of Year                 | <u>\$ 0</u> | <u>\$ 0</u>     |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

1999 SCHOOL REFUNDING BOND DEBT RETIREMENT FUND  
COMPARATIVE BALANCE SHEET

JUNE 30,

|   | <u>2008</u>           | <u>2007</u>           |
|---|-----------------------|-----------------------|
| <u>ASSETS</u>                           |                       |                       |
| Cash                                    | \$ 112,052            | \$ 229,323            |
| Taxes Receivable                        | 2,690                 | 3,007                 |
| Due from 1995 Debt Retirement Fund      | <u>0</u>              | <u>60</u>             |
| <br>TOTAL ASSETS                        | <br><u>\$ 114,742</u> | <br><u>\$ 232,390</u> |
| <br><u>LIABILITIES AND FUND BALANCE</u> |                       |                       |
| <u>LIABILITIES</u>                      |                       |                       |
| Deferred Revenue                        | \$ 2,542              | \$ 2,285              |
| Due to General Fund                     | <u>2,508</u>          | <u>1,657</u>          |
| <br>Total Liabilities                   | <br>5,050             | <br>3,942             |
| <br><u>FUND BALANCE</u>                 |                       |                       |
| Reserved for Debt Retirement            | <u>109,692</u>        | <u>228,448</u>        |
| <br>TOTAL LIABILITIES AND FUND BALANCE  | <br><u>\$ 114,742</u> | <br><u>\$ 232,390</u> |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

1999 SCHOOL REFUNDING BOND DEBT RETIREMENT FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

|   | 2008       | 2007       |
|---|------------|------------|
| <u>REVENUES</u>                                   |            |            |
| Local Sources                                     |            |            |
| Property Tax Levy                                 | \$ 614,546 | \$ 566,578 |
| Industrial Facilities Tax                         | 61,820     | 56,481     |
| Penalties and Interest on Delinquent Tax          | 3,097      | 11         |
| Earnings on Investments                           | 7,968      | 4,160      |
|   | <hr/>      | <hr/>      |
| Total Revenues                                    | 687,431    | 627,230    |
|   | <hr/>      | <hr/>      |
| <u>EXPENDITURES</u>                               |            |            |
| Principal Payments                                | 55,000     | 55,000     |
| Principal Payments-School Bond Loan Fund          | 310,438    | 158,247    |
| Interest Payments                                 | 440,156    | 442,986    |
| Taxes Abated and Written Off                      | 543        | 2,847      |
| Miscellaneous                                     | 50         | 300        |
|   | <hr/>      | <hr/>      |
| Total Expenditures                                | 806,187    | 659,380    |
|   | <hr/>      | <hr/>      |
| Excess (Deficiency) of Revenues Over Expenditures | (118,756)  | (32,150)   |
|   |            |            |
| <u>OTHER FINANCING SOURCES (USES)</u>             |            |            |
| Transfers In                                      |            |            |
| 1995 Debt Retirement Fund                         | 0          | 52,340     |
|   | <hr/>      | <hr/>      |
| Net Change in Fund Balance                        | (118,756)  | 20,190     |
|   |            |            |
| <u>FUND BALANCE</u> - Beginning of Year           | 228,448    | 208,258    |
|   | <hr/>      | <hr/>      |
| <u>FUND BALANCE</u> - End of Year                 | \$ 109,692 | \$ 228,448 |
|   | <hr/>      | <hr/>      |



MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

2003 REFUNDING DEBT RETIREMENT FUND  
COMPARATIVE BALANCE SHEET

JUNE 30,

|                                     | <u>2008</u>       | <u>2007</u>      |
|-------------------------------------|-------------------|------------------|
| <u>ASSETS</u>                       |                   |                  |
| Cash                                | \$ 136,042        | \$ 93,525        |
| Taxes Receivable                    | 1,385             | 1,540            |
|                                     |                   |                  |
| TOTAL ASSETS                        | <u>\$ 137,427</u> | <u>\$ 95,065</u> |
|                                     |                   |                  |
| <u>LIABILITIES AND FUND BALANCE</u> |                   |                  |
| <u>LIABILITIES</u>                  |                   |                  |
| Deferred Revenue                    | \$ 1,143          | \$ 362           |
| Due to General Fund                 | 4,092             | 2,704            |
|                                     |                   |                  |
| Total Liabilities                   | 5,235             | 3,066            |
|                                     |                   |                  |
| <u>FUND BALANCE</u>                 |                   |                  |
| Reserved for Debt Retirement        | 132,192           | 91,999           |
|                                     |                   |                  |
| TOTAL LIABILITIES AND FUND BALANCE  | <u>\$ 137,427</u> | <u>\$ 95,065</u> |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

2003 REFUNDING DEBT RETIREMENT FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

|   | <u>2008</u>  | <u>2007</u> |
|---|--------------|-------------|
| <u>REVENUES</u>                                   |              |             |
| Local Sources                                     |              |             |
| Property Tax Levy                                 | \$ 1,002,680 | \$ 924,409  |
| Industrial Facilities Tax                         | 100,864      | 92,154      |
| Penalties and Interest on Delinquent Tax          | 5,054        | 19          |
| Earnings on Investments                           | 15,293       | 10,238      |
|   | <hr/>        | <hr/>       |
| Total Revenues                                    | 1,123,891    | 1,026,820   |
|   | <hr/>        | <hr/>       |
| <u>EXPENDITURES</u>                               |              |             |
| Principal Payments                                | 680,000      | 670,000     |
| Principal Payments-School Bond Loan Fund          | 298,264      | 200,694     |
| Interest Payments                                 | 104,459      | 132,199     |
| Taxes Abated and Written Off                      | 925          | 2,779       |
| Miscellaneous                                     | 50           | 400         |
|   | <hr/>        | <hr/>       |
| Total Expenditures                                | 1,083,698    | 1,006,072   |
|   | <hr/>        | <hr/>       |
| Excess (Deficiency) of Revenues Over Expenditures | 40,193       | 20,748      |
|   | <hr/>        | <hr/>       |
| <u>FUND BALANCE</u> - Beginning of Year           | 91,999       | 71,251      |
|   | <hr/>        | <hr/>       |
| <u>FUND BALANCE</u> - End of Year                 | \$ 132,192   | \$ 91,999   |
|   | <hr/>        | <hr/>       |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

FIDUCIARY FUND TYPES  
COMBINING BALANCE SHEET

JUNE 30, 2008

WITH COMPARATIVE TOTALS FOR JUNE 30, 2007

|                                     |               | PRIVATE PURPOSE |              |            |            |
|-------------------------------------|---------------|-----------------|--------------|------------|------------|
|                                     |               | TRUST FUND      | AGENCY FUNDS |            |            |
|                                     |               | ERICKSON        | SCHOOL       | TOTALS     |            |
|                                     |               | SCHOLARSHIP     | ACCOUNTS     | 2007       | 2007       |
|                                     | <u>ASSETS</u> |                 |              |            |            |
| Cash                                |               | \$ 29,864       | \$ 165,848   | \$ 195,712 | \$ 189,375 |
| <br>                                |               |                 |              |            |            |
| <u>LIABILITIES AND FUND BALANCE</u> |               |                 |              |            |            |
| <u>LIABILITIES</u>                  |               |                 |              |            |            |
| Due to Groups and Organizations     |               | \$ 0            | \$ 165,848   | \$ 165,848 | \$ 159,856 |
| <br>                                |               |                 |              |            |            |
| <u>FUND BALANCE</u>                 |               |                 |              |            |            |
| Reserved for Trust Activities       |               | 29,864          | 0            | 29,864     | 29,519     |
| <br>                                |               |                 |              |            |            |
| TOTAL LIABILITIES AND FUND BALANCE  |               | \$ 29,864       | \$ 165,848   | \$ 195,712 | \$ 189,375 |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

ERICKSON SCHOLARSHIP PRIVATE PURPOSE TRUST FUND  
COMPARATIVE BALANCE SHEET  
JUNE 30,

|                                     | <u>2008</u> | <u>2007</u> |
|-------------------------------------|-------------|-------------|
|                                     |             |             |
| <u>ASSETS</u>                       |             |             |
| Cash                                | \$ 29,864   | \$ 29,519   |
|                                     |             |             |
|                                     |             |             |
| <u>LIABILITIES AND FUND BALANCE</u> |             |             |
|                                     |             |             |
| <u>LIABILITIES</u>                  | \$ 0        | \$ 0        |
|                                     |             |             |
| <u>FUND BALANCE</u>                 |             |             |
| Reserved for Trust Activities       | 29,864      | 29,519      |
|                                     |             |             |
| TOTAL LIABILITIES AND FUND BALANCE  | \$ 29,864   | \$ 29,519   |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

ERICKSON SCHOLARSHIP PRIVATE PURPOSE TRUST FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE  
YEAR ENDED JUNE 30,

|   | <u>2008</u>      | <u>2007</u>      |
|---|------------------|------------------|
| <u>OPERATING REVENUES</u>               |                  |                  |
| Earnings on Investments and Deposits    | \$ 1,520         | \$ 934           |
| <u>OPERATING EXPENSES</u>               |                  |                  |
| Scholarship Awards                      | <u>1,175</u>     | <u>1,440</u>     |
| Operating Income (Loss)                 | 345              | (506)            |
| <u>FUND BALANCE</u> - Beginning of Year | <u>29,519</u>    | <u>30,025</u>    |
| <u>FUND BALANCE</u> - End of Year       | <u>\$ 29,864</u> | <u>\$ 29,519</u> |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

FIDUCIARY FUND TYPES  
AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE  
YEAR ENDED JUNE 30, 2008

|                                | BALANCE<br>7/1/2007 | RECEIPTS<br>(Including Transfers) | DISBURSEMENTS | BALANCE<br>6/30/2008 |
|--------------------------------|---------------------|-----------------------------------|---------------|----------------------|
| High School                    |                     |                                   |               |                      |
| Art Fund                       | \$ 474              | \$ 647                            | \$ 1,279      | \$ (158)             |
| Alternative Education          | 2,264               | 6,579                             | 5,998         | 2,845                |
| Band Boosters                  | 218                 | 14,989                            | 14,908        | 299                  |
| Bookstore                      | 420                 | 30                                | 0             | 450                  |
| Cheerleaders                   | (17)                | 1,081                             | 970           | 94                   |
| Chip Sales                     | 212                 | 11,105                            | 11,317        | 0                    |
| Choir                          | 733                 | 423                               | 1,020         | 136                  |
| Class of 2011                  | 0                   | 668                               | 154           | 514                  |
| Class of 2010                  | (85)                | 0                                 | 75            | (160)                |
| Class of 2009                  | 690                 | 5,754                             | 4,080         | 2,364                |
| Class of 2008                  | 977                 | 3,672                             | 4,649         | 0                    |
| Classroom Supplies             | 5,278               | 328                               | 981           | 4,625                |
| Community Service Group        | 128                 | 0                                 | 0             | 128                  |
| Flower Fund                    | 68                  | 152                               | 212           | 8                    |
| Interest                       | 5,853               | 2,544                             | 4,114         | 4,283                |
| International Studies Club     | 68                  | 300                               | 0             | 368                  |
| Library                        | 247                 | 50                                | 50            | 247                  |
| Miscellaneous                  | 10,950              | 3,060                             | 2,821         | 11,189               |
| MSEA Scholarship Fund          | 8,269               | 1,903                             | 1,000         | 9,172                |
| National Honor Society         | 147                 | 3,534                             | 3,657         | 24                   |
| Outdoor Education Class        | 104                 | 215                               | 52            | 267                  |
| Principals' Academic Fund      | 156                 | 408                               | 559           | 5                    |
| Revolving Fund                 | 5,779               | 1,661                             | 675           | 6,765                |
| Shop                           | 3,176               | 1,211                             | 1,299         | 3,088                |
| Student Council                | 6,046               | 14,102                            | 18,983        | 1,165                |
| Team Funds - Baseball          | 208                 | 2,343                             | 2,224         | 327                  |
| Team Funds - Basketball, Boys  | 994                 | 1,868                             | 1,435         | 1,427                |
| Team Funds - Basketball, Girls | 1,900               | 6,588                             | 4,955         | 3,533                |
| Team Funds - Cross Country     | 113                 | 440                               | 200           | 353                  |
| Team Funds - Football          | 1,352               | 2,074                             | 3,286         | 140                  |
| Team Funds - Golf              | 0                   | 503                               | 0             | 503                  |
| Team Funds - Softball          | 401                 | 1,656                             | 2,056         | 1                    |
| Team Funds - Track             | 39                  | 2,196                             | 1,777         | 458                  |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

FIDUCIARY FUND TYPES  
AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE  
YEAR ENDED JUNE 30, 2008

|                           | BALANCE<br>7/1/2007 | RECEIPTS<br>(Including Transfers) | DISBURSEMENTS | BALANCE<br>6/30/2008 |
|---------------------------|---------------------|-----------------------------------|---------------|----------------------|
| Team Funds - Volleyball   | 36                  | 5,512                             | 4,211         | 1,337                |
| Team Funds - Wrestling    | 95                  | 1,244                             | 97            | 1,242                |
| Theatrics                 | 5,196               | 1,718                             | 1,917         | 4,997                |
| Transitions Class         | 114                 | 2,441                             | 2,346         | 209                  |
| Varsity Club              | 105                 | 0                                 | 0             | 105                  |
| Yearbook                  | 11,286              | 35,992                            | 40,721        | 6,557                |
| Sports Boosters           | 12,406              | 58,359                            | 53,157        | 17,608               |
| Total High School         | 86,400              | 197,350                           | 197,235       | 86,515               |
| Elementary - Morley       |                     |                                   |               |                      |
| Library                   | 512                 | 7,159                             | 5,604         | 2,067                |
| Kindergarten              | 375                 | 727                               | 956           | 146                  |
| First Grade               | 366                 | 295                               | 396           | 265                  |
| Second Grade              | 999                 | 397                               | 916           | 480                  |
| Third Grade               | 1,082               | 617                               | 599           | 1,100                |
| Fourth Grade              | 1,909               | 0                                 | 0             | 1,909                |
| Student Assistance        | 231                 | 250                               | 176           | 305                  |
| Student Council           | 160                 | 658                               | 356           | 462                  |
| Morley Parent Group       | 8,974               | 37,113                            | 37,385        | 8,702                |
| Miscellaneous             | 3,149               | 7,121                             | 5,337         | 4,933                |
| Total Elementary - Morley | 17,757              | 54,337                            | 51,725        | 20,369               |
| Elementary - Stanwood     |                     |                                   |               |                      |
| Lunch and Milk            | 0                   | 26,013                            | 26,013        | 0                    |
| Kindergarten              | 22                  | 431                               | 382           | 71                   |
| First Grade               | 0                   | 351                               | 350           | 1                    |
| Second Grade              | 50                  | 0                                 | 0             | 50                   |
| Third Grade               | 59                  | 310                               | 210           | 159                  |
| Fourth Grade              | 594                 | 0                                 | 0             | 594                  |
| ECDD                      | 0                   | 39                                | 39            | 0                    |
| Flower Fund               | 71                  | 202                               | 177           | 96                   |
| Stanwood Parent Group     | 8,187               | 34,257                            | 30,456        | 11,988               |
| Invent America            | 201                 | 250                               | 174           | 277                  |
| Miscellaneous             | 2,215               | 5,163                             | 5,454         | 1,924                |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

FIDUCIARY FUND TYPES  
AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE  
YEAR ENDED JUNE 30, 2008

|                             | BALANCE<br>7/1/2007 | RECEIPTS<br>(Including Transfers) | DISBURSEMENTS | BALANCE<br>6/30/2008 |
|-----------------------------|---------------------|-----------------------------------|---------------|----------------------|
| Library                     | 2,231               | 6,228                             | 6,396         | 2,063                |
| Student Assistance          | 405                 | 0                                 | 65            | 340                  |
| Student Council             | 3                   | 0                                 | 3             | 0                    |
| Total Elementary - Stanwood | 14,038              | 73,244                            | 69,719        | 17,563               |
| Middle School               |                     |                                   |               |                      |
| General                     | 1,077               | 0                                 | 0             | 1,077                |
| Student Council             | 1,763               | 1,829                             | 852           | 2,740                |
| Academic Boosters           | 2,451               | 1,334                             | 998           | 2,787                |
| Chips                       | 7,679               | 21,687                            | 22,896        | 6,470                |
| Ecology Club                | 4,790               | 8,690                             | 11,328        | 2,152                |
| Classroom Supplies          | 660                 | 100                               | 148           | 612                  |
| Miscellaneous               | 2,796               | 2,471                             | 3,893         | 1,374                |
| Interest                    | 2,255               | 1,429                             | 868           | 2,816                |
| Parent Group                | 6,067               | 6,308                             | 6,231         | 6,144                |
| Library                     | 1,854               | 4,787                             | 4,604         | 2,037                |
| Recycling Club              | 1,475               | 273                               | 54            | 1,694                |
| Fifth Grade Field Trip      | 2,995               | 10,339                            | 9,997         | 3,337                |
| Sixth Grade Field Trip      | 1,960               | 5,891                             | 3,096         | 4,755                |
| Seventh Grade Field Trip    | 2,039               | 3,898                             | 4,686         | 1,251                |
| Eighth Grade Field Trip     | 1,285               | 4,557                             | 4,027         | 1,815                |
| Drama Club                  | 361                 | 853                               | 874           | 340                  |
| Total Middle School         | 41,507              | 74,446                            | 74,552        | 41,401               |
| TOTAL                       | \$ 159,702          | \$ 399,377                        | \$ 393,231    | \$ 165,848           |



MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2008

|  |  |
|--|--|
| <u>TITLE OF ISSUE</u>                      | 1999 Refunding Bonds   |
| <u>PURPOSE</u>                             | To refund a portion of the 1995 bonds to take advantage of lower interest rates. |
| <u>DATE OF ISSUE</u>                       | March 16, 1999   |
| <u>INTEREST PAYABLE</u>                    | May 1, and November 1, of each year  |
| <u>AMOUNT OF ISSUE</u>                     | \$ 9,000,000   |
| <u>AMOUNT REDEEMED</u>                     |  |
| Redeemed Prior to Current Year             | \$ 370,000   |
| Redeemed During Current Year               | <u>55,000</u>  |
|  | <u>425,000</u>   |
| <u>BALANCE OUTSTANDING</u> - June 30, 2008 | <u><u>\$ 8,575,000</u></u>   |

| <u>DUE DATES</u> | <u>INTEREST<br/>RATES</u> | <u>REQUIREMENTS</u> |                 |                  |
|------------------|---------------------------|---------------------|-----------------|------------------|
|                  |                           | <u>TOTAL</u>        | <u>INTEREST</u> | <u>PRINCIPAL</u> |
| November 1, 2008 |                           | \$ 199,081          | \$ 199,081      |                  |
| May 1, 2009      | 4.35%                     | 254,081             | 199,081         | \$ 55,000        |
| November 1, 2009 |                           | 197,885             | 197,885         |                  |
| May 1, 2010      | 4.40%                     | 257,885             | 197,885         | 60,000           |
| November 1, 2010 |                           | 196,565             | 196,565         |                  |
| May 1, 2011      | 4.35%                     | 806,565             | 196,565         | 610,000          |
| November 1, 2011 |                           | 183,298             | 183,298         |                  |
| May 1, 2012      | 4.45%                     | 968,298             | 183,298         | 785,000          |
| November 1, 2012 |                           | 165,831             | 165,831         |                  |
| May 1, 2013      | 4.50%                     | 950,831             | 165,831         | 785,000          |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2008

| <u>DUE DATES</u> | <u>INTEREST<br/>RATES</u> | <u>REQUIREMENTS</u>  |                     |                     |
|------------------|---------------------------|----------------------|---------------------|---------------------|
|                  |                           | <u>TOTAL</u>         | <u>INTEREST</u>     | <u>PRINCIPAL</u>    |
| November 1, 2013 |                           | 148,169              | 148,169             |                     |
| May 1, 2014      | 4.55%                     | 933,169              | 148,169             | 785,000             |
| November 1, 2014 |                           | 130,310              | 130,310             |                     |
| May 1, 2015      | 4.60%                     | 915,310              | 130,310             | 785,000             |
| November 1, 2015 |                           | 112,255              | 112,255             |                     |
| May 1, 2016      | 4.65%                     | 897,255              | 112,255             | 785,000             |
| November 1, 2016 |                           | 94,004               | 94,004              |                     |
| May 1, 2017      | 4.47%                     | 879,004              | 94,004              | 785,000             |
| November 1, 2017 |                           | 75,556               | 75,556              |                     |
| May 1, 2018      | 4.75%                     | 860,556              | 75,556              | 785,000             |
| November 1, 2018 |                           | 56,913               | 56,913              |                     |
| May 1, 2019      | 4.80%                     | 841,913              | 56,913              | 785,000             |
| November 1, 2019 |                           | 38,072               | 38,072              |                     |
| May 1, 2020      | 4.85%                     | 823,072              | 38,072              | 785,000             |
| November 1, 2020 |                           | 19,036               | 19,036              |                     |
| May 1, 2021      | 4.85%                     | 804,036              | 19,036              | 785,000             |
|                  |                           | <u>\$ 11,808,950</u> | <u>\$ 3,233,950</u> | <u>\$ 8,575,000</u> |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2008

|  |  |          |                         |
|--|--|----------|-------------------------|
| <u>TITLE OF ISSUE</u>                      | 1998 School Improvement Bonds (Durant Settlement)                                |          |                         |
| <u>PURPOSE</u>                             | For the purpose permitted in Section 1351(a) of Act 451, Public Acts of Michigan |          |                         |
| <u>DATE OF ISSUE</u>                       | November 24, 1999  |          |                         |
| <u>INTEREST PAYABLE</u>                    | May 15th of each year  |          |                         |
| <u>AMOUNT OF ISSUE</u>                     |  |          | \$ 149,055              |
| <u>AMOUNT REDEEMED</u>                     |  |          |                         |
| Redeemed Prior to Current Year             | \$   | 54,413   |                         |
| Redeemed During Current Year               |  | <u>0</u> | <u>54,413</u>           |
| <u>BALANCE OUTSTANDING - June 30, 2008</u> |  |          | <u><u>\$ 94,642</u></u> |

| <u>DUE DATES</u> | <u>REQUIREMENTS</u> |                  |                  |
|------------------|---------------------|------------------|------------------|
|                  | <u>TOTAL</u>        | <u>INTEREST</u>  | <u>PRINCIPAL</u> |
| May 15, 2009     | \$ 10,467           | \$ 8,990         | \$ 1,477         |
| May 15, 2010     | 10,467              | 2,988            | 7,479            |
| May 15, 2011     | 10,467              | 2,748            | 7,719            |
| May 15, 2012     | 70,327              | 2,501            | 67,826           |
| May 15, 2013     | 10,466              | 325              | 10,141           |
|                  | <u>\$ 112,194</u>   | <u>\$ 17,552</u> | <u>\$ 94,642</u> |

MORLEY STANWOOD COMMUNITY SCHOOLS  
MORLEY, MICHIGAN

SCHEDULE OF BONDS PAYABLE  
JUNE 30, 2008

|  |  |
|--|--|
| <u>TITLE OF ISSUE</u>                      | 2003 Refunding Bonds   |
| <u>PURPOSE</u>                             | To refund a portion of the 1995 bonds to take advantage of lower interest rates. |
| <u>DATE OF ISSUE</u>                       | October 27, 2003   |
| <u>INTEREST PAYABLE</u>                    | May 1, and November 1, of each year  |
| <u>AMOUNT OF ISSUE</u>                     | \$ 3,045,000   |
| <u>AMOUNT REDEEMED</u>                     |  |
| Redeemed Prior to Current Year             | \$ 825,000   |
| Redeemed During Current Year               | <u>680,000</u>   |
|  | <u>1,505,000</u>   |
| <u>BALANCE OUTSTANDING</u> - June 30, 2008 | <u><u>\$ 1,540,000</u></u>   |

| <u>DUE DATES</u> | <u>INTEREST<br/>RATES</u> | <u>REQUIREMENTS</u> |                  |                     |
|------------------|---------------------------|---------------------|------------------|---------------------|
|                  |                           | <u>TOTAL</u>        | <u>INTEREST</u>  | <u>PRINCIPAL</u>    |
| November 1, 2008 |                           | \$ 24,209           | \$ 24,209        |                     |
| May 1, 2009      | 3.00%                     | 709,209             | 24,209           | \$ 685,000          |
| November 1, 2009 |                           | 13,934              | 13,934           |                     |
| May 1, 2010      | 3.25%                     | 708,934             | 13,934           | 695,000             |
| November 1, 2010 |                           | 2,640               | 2,640            |                     |
| May 1, 2011      | 3.30%                     | 162,640             | 2,640            | 160,000             |
|                  |                           | <u>\$ 1,621,566</u> | <u>\$ 81,566</u> | <u>\$ 1,540,000</u> |

# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
www.bcbcpa.com

July 17, 2008

### COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Board of Education  
Morley Stanwood Community Schools  
Morley, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morley Stanwood Community Schools for the year ended June 30, 2008, and has issued our report thereon dated July 17, 2008. Professional standards require that we provide you with the following information related to our audit.

#### Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated June 13, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Morley Stanwood Community Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Morley Stanwood Community School's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Morley Stanwood Community Schools are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We proposed several adjusting journal entries which were reviewed and accepted by management. No material misstatements were noted.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated July 17, 2008.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the course of our audit of the basic financial statements of Morley Stanwood Community Schools for the year ended June 30, 2008, we noted the following list of items which we feel deserve comment:

Lack of Adequate Internal Controls Over Decentralized Cash Collections

Management is responsible for establishing and maintaining internal controls over cash for the district.

At many school districts, internal controls over decentralized cash collections present a challenge for management. The District currently does not have entirely effective controls in place related to decentralized cash collections.

This condition was caused by limited personnel involved in the process and a lack of documentation related to the cash collection process.

The effect of this condition is that an environment is created in which the potential exists for cash collections to not be deposited into the District's bank accounts and go undetected in the financial recordkeeping process.

The District is aware of this limitation, and is in the process of evaluating and implementing controls to correct or mitigate this situation in the future.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*